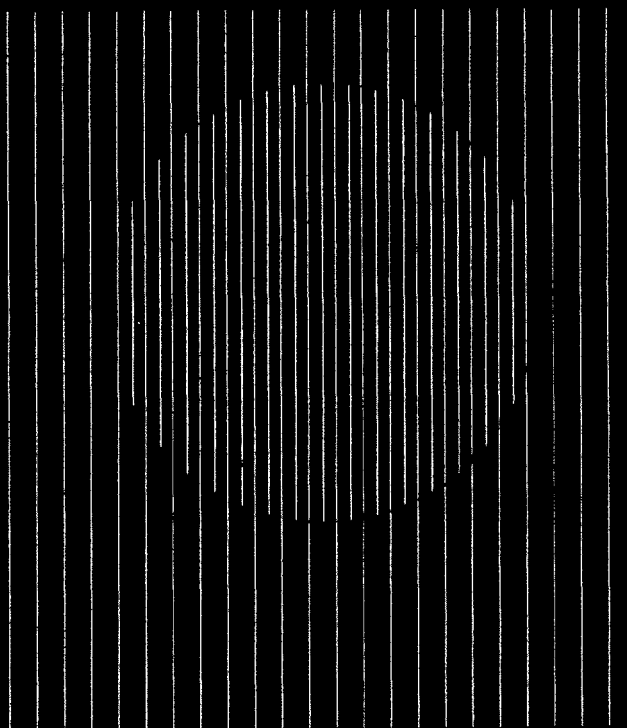


CBO PAPERS



CONGRESSIONAL BUDGET OFFICE

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THE CHANGING CHILD SUPPORT
ENVIRONMENT

February 1995



CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

NOTES

Because numbers are often rounded, their sums may not correspond to the totals shown.

All years in this paper are calendar years unless otherwise noted.

The terminology used in this paper--mothers who have awards--is consistent with the terminology of “mothers supposed to receive child support” that is used by the Bureau of the Census in its publications.

TRIM2 stands for the Transfer Income Model, Version 2.

PREFACE

Beginning with the establishment of the Child Support Enforcement Program two decades ago, federal and state governments have played an important role in helping custodial parents secure child support. However, because many families do not receive the child support to which they are entitled, a number of proposals have been made to improve the child support system. At the request of Congressman Harold E. Ford and of Senator Rick Santorum when they were Chairman and Ranking Minority Member, respectively, of the Subcommittee on Human Resources of the Committee on Ways and Means, this paper examines the changing child support system and the causes of that change. In accordance with the Congressional Budget Office's (CBO's) mandate to provide objective and impartial analysis, this study contains no recommendations.

Janice Peskin of CBO's Health and Human Resources Division prepared this paper under the direction of Nancy M. Gordon and Ralph E. Smith. The estimates based on the TRIM2 microsimulation model could not have been made without the work of a number of researchers at the Urban Institute, including Sandra Clark, Daniel **Dowhan**, Linda Giannarelli, Elaine Sorensen, and Laura **Wheaton**. Don Oellerich generously provided data collected by the Bureau of the Census. John Tapogna of CBO made major contributions throughout the project. In addition, many people **made** valuable comments on earlier drafts, including Gaile Maller, Daniel Mont, Jay Noell, Carmen Solomon, **Freya** Sonenstein, and Robert G. Williams. **Cori Uccello** provided research assistance, Eric Guille provided computer assistance, and Julia Jacobsen prepared the figures.

Sherwood Kohn edited the manuscript, and Chris Spoor provided editorial assistance during production. Sharon Corbin-Jallow typed the several versions and prepared **the layout** of the final manuscript.

Robert D. Reischauer
Director

February 1995

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SUMMARY

The number of children living with only one parent grows with each passing year. In 1993, more than one-quarter of all children under the age of 18 lived with a single parent. For Hispanic children, the rate rose to one-third and for black children to more than one-half. Most of these children--and more living with stepparents--are potential recipients of child support from their noncustodial parents. Because many of these children live in poverty, securing child support for them has become a major policy objective.

During the 1980s and early 1990s, the Congress passed a substantial amount of legislation aimed at strengthening and making more effective the governmental institutions that constitute the child support system. Those institutions--the courts, related administrative bodies, and child support agencies--establish paternity, award child support and set its amount, and enforce payment. In the 103rd Congress, more than 40 bills containing important provisions affecting child support were introduced but only a handful were enacted into law. Modifying the child support system was also a major component of the Administration's welfare reform proposal of 1994.

WHAT HAPPENED DURING THE 1980s?

A parent can become eligible for child support when the marriage dissolves or when a mother has a child out of wedlock and lives apart from the child's father. The number of mothers eligible for child support from noncustodial fathers grew by 1.6 million or **almost** one-fifth from 1982 to 1990, and their demographic profile changed dramatically (consistent data for custodial fathers do not exist). By 1990, 30 percent of those mothers had never married, compared with 20 percent in 1982. Divorce rates and the number of divorces were stable during the decade, but birth rates for unmarried women jumped sharply.

Despite those demographic changes, child support outcomes--such as the probability of obtaining a child support award or receiving a child support payment--remained largely unchanged for eligible mothers overall. Outcomes for **never**-married mothers improved significantly, however, reducing the gaps between their outcomes and those for other mothers.

Before eligible mothers who are divorced can formally receive child support, they must secure a child support award from courts or related administrative bodies (or voluntary agreements from noncustodial fathers); if never married, they must first establish paternity. By 1989, the proportion of eligible mothers who had awards increased slightly to about one-half (see Summary Figure 1). The proportion doubled for never-married mothers--from 10 percent to 20 percent--reducing somewhat the gap in award status between mothers who had never been married and others.

The 1980s saw little change in the proportion of mothers with awards who actually received some payment. The share remained at about three-quarters and varied little by marital status. By 1989, among those mothers who received some payment, the proportion who received all they were due increased slightly to about two-thirds.

When the courts grant child support awards, they also set award amounts. Although the average award increased sharply in nominal terms from 1981 to 1989, after adjusting for inflation it actually declined by 11 percent (see Summary Figure 2). In 1989, awards for never-married mothers were only about two-thirds as large as those for other mothers, but this gap was considerably smaller than in the early 1980s. Average child support payments moved in tandem with award amounts, rising considerably in nominal terms but declining by 8 percent after adjusting for inflation. As with award amounts, the disparity between payments to never-married mothers and other mothers decreased but remained sizable. (Note that there may be some inconsistencies over time in the data on award and payment amounts, producing higher amounts in the 1987-1989 period compared with earlier years.)

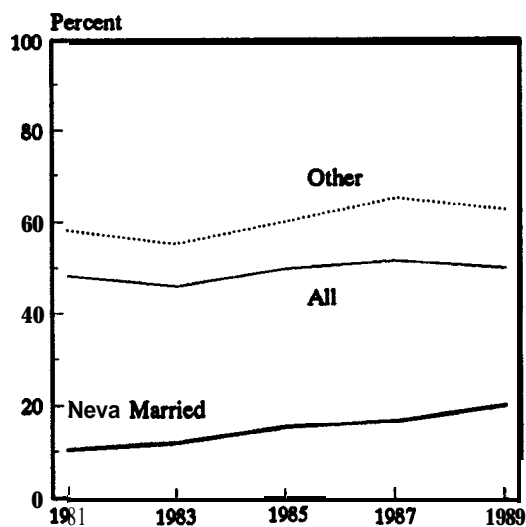
CHILD SUPPORT INSTITUTIONS

The child **support** system is complex, involving enforcement agencies at the federal, state, and local **levels**, as well as local courts and related administrative bodies. Until the **1970s**, **family** law--including child support--was largely the domain of the local judicial **system**. But when the Child Support Enforcement (CSE) program was enacted **in** 1975, federal and state governments began to play a major role.

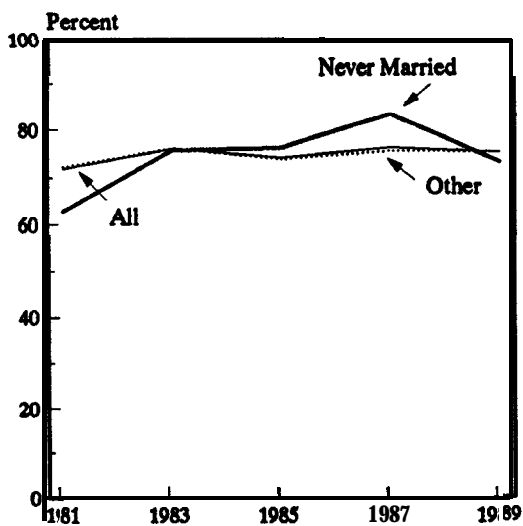
That role expanded as the Congress imposed more requirements on state agencies and courts in an attempt to improve the performance of the child support system. The Child Support Enforcement Amendments of 1984 marked an important turn in the program. CSE agencies were required to use specified procedures--such as withholding child support from the wages of noncustodial parents who were

SUMMARY FIGURE 1. CHILD SUPPORT OUTCOMES: AWARD AND PAYMENT RATES, 1981- 1989

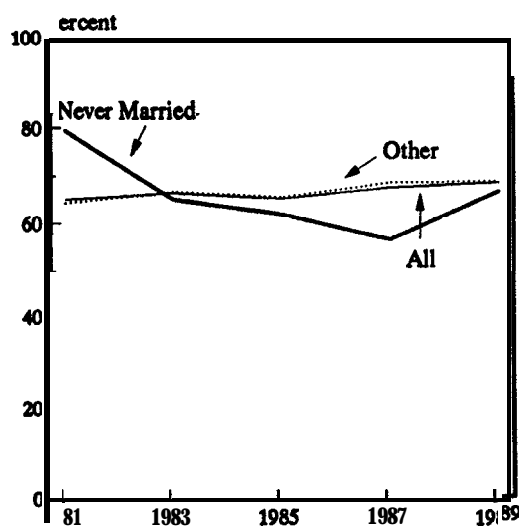
Women Who Have Awards as a Percentage of Those Who Are Eligible



Women Who Receive Child Support as a Percentage of Those Who Have Awards



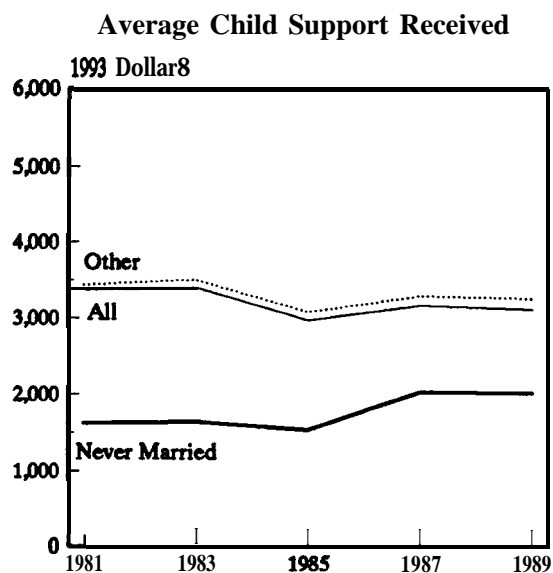
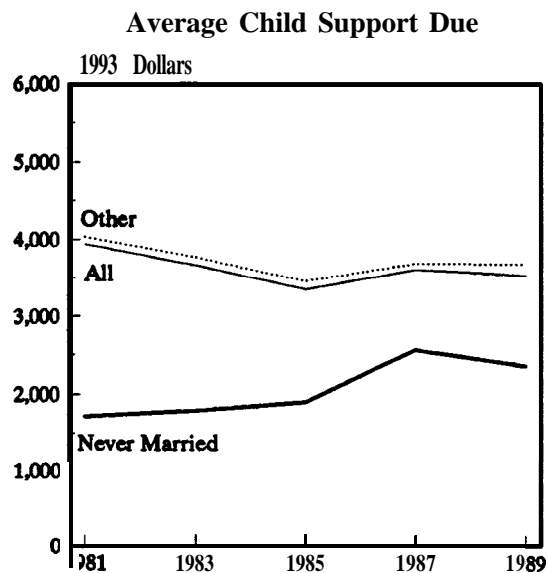
Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTE: "Other" consists of divorced, separated, and currently married women.

SUMMARY FIGURE 2. CHILD SUPPORT OUTCOMES: AWARD AND PAYMENT AMOUNTS, 1981–1989



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTE: “Other” consists of divorced, separated, and currently married women.

delinquent in their payments--and to make their services available to families who were not receiving benefits from the Aid to Families with Dependent Children (AFDC) program. As a result, the number of non-AFDC families served by the program grew sharply, **from** one-fifth of all CSE cases in fiscal year 1980 to one-half in 1993.

The CSE program is operated jointly by the federal Office of Child Support Enforcement and state and local child support enforcement agencies. The federal office sets standards and policy and monitors the performance of the states. State agencies establish paternity, locate noncustodial parents, secure child support orders, enforce obligations, and collect and distribute support. Both federal and state governments share in the funding of program costs, but not equally. In fiscal year 1993, the federal government incurred \$740 million in costs for the CSE program but states saved \$460 million as a result of the program. (Both calculations included the savings from collecting support for AFDC families.) Federal costs and states' savings have both risen over time.

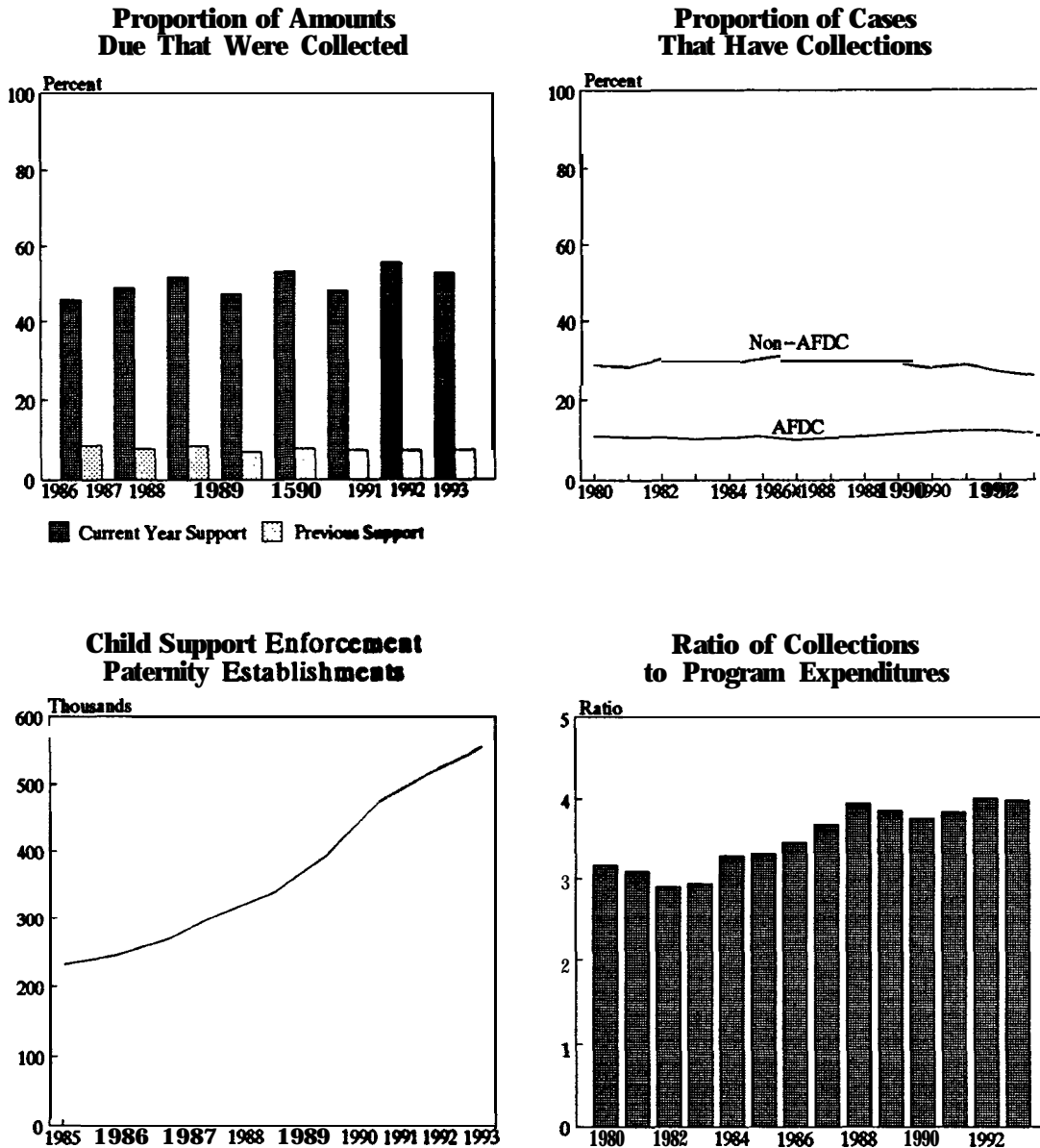
As the number of children eligible for child support increased and as Congressional requirements expanded, the CSE program grew sharply. From fiscal years 1980 to 1993, the caseload more than tripled, the number of orders established increased almost four times, and the number of noncustodial parents who were located grew sevenfold. At the same time, all but one of the indicators of the program's effectiveness showed only modest improvement at best (see Summary Figure 3). The proportion of amounts due that were collected showed little change. The proportion of cases that had child support collections also remained essentially unchanged, although the volume of collections grew from \$1.5 billion in fiscal year 1980 to **almost** \$9 billion in 1993. The number of paternitys established, however, grew significantly, both in absolute terms and as a proportion of births out of wedlock.

Finally, as measured by the ratio of child support collections to expenditures, the program has been cost-effective. Moreover, that ratio understates true savings. It ignores both indirect savings in means-tested programs when child support makes some families ineligible for benefits and direct savings in Medicaid when health insurance coverage is included in support orders.

RECENT LEGISLATION

Two recent pieces of legislation--the Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 (**OBRA-93**)--**should** improve the child support system and its outcomes as a growing number of families are **affected** by their

SUMMARY FIGURE 3. CHILD SUPPORT ENFORCEMENT PROGRAM: INDICATORS OF EFFECTIVENESS



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

NOTES: Data are for fiscal years.

Data on the proportion of amounts due that were collected and paternity establishments are not available for the early 1980s.

SUMMARY

provisions. Four of the **important** reforms in these acts involve requirements for the establishment of paternity, the use of state guidelines in the setting of child support awards, periodic review and modification of awards, and the mandatory withholding of child support (subject to some exceptions) from wages immediately after an award has been issued or modified.

Paternity Establishment

A major failure of the child support system is its inability to establish paternity for most children born out of wedlock. In 1989, only one-fifth of mothers who had never married had a child support award for at least one of their children. To improve outcomes for those children, both the Family Support Act and OBRA-93 required changes that affect the establishment of paternity.

The Family Support Act sets performance standards on the basis of the ratio of paternities established for children born out of wedlock (who receive AFDC or CSE services) to the total number of such children. CSE agencies had to meet those standards beginning in fiscal year 1992, and OBRA-93 tightened them. In addition, time **frames** for expedited processes were applied to the establishment of paternity and certain procedures--such as an in-hospital program of voluntarily acknowledging paternity--were required.

The impacts of those legislative changes on establishing paternity are in most instances not known. Several studies of the voluntary acknowledgment of paternity in hospitals in specific states or localities found acknowledgment rates ranging from about 25 percent to 55 percent. In addition, in 1990 and 1991, the number of establishments of paternity in the CSE program accelerated as states began to adjust to the new performance standards.

Guidelines

Until recently, judges and other officers of the court set the amounts of child support awards in contested cases at their discretion. As a result, awards varied widely and arbitrarily among families. The Congress first required states to develop guidelines by October 1987; then the Family Support Act required their use as "rebuttable presumptions" in the setting of awards. (In other words, the guidelines are presumed to provide the correct amount of child support to be awarded unless it is found that applying the guidelines would be inappropriate in a particular case.) States were also required to review the guidelines at least every four years so that they could reflect increases in the cost of living.

Based on studies in several states, the Congressional Budget Office (CBO) estimated that requiring the use of guidelines increases the amounts of new awards by an average of about 15 percent. Deviations from the guidelines appear to be frequent, particularly for cases in which the incomes of noncustodial parents are very low or very high. One study indicated that guidelines were followed in about 40 percent to 80 percent of the cases, depending on the state.

Review and Modification

In the past, award amounts were seldom updated as prices increased or as the living standards of noncustodial parents changed. As a result, child support met less and less of a child's **financial** needs over time and the living standards of children diverged from those of their noncustodial parents. In 1989, awards averaged only \$3,025 for families with an average of more than 1.5 children. To improve this situation, the Family Support Act required states to carry out in two steps a process of review and modification of awards for families receiving services from CSE agencies. The first step, effective October 1990, required review and, if appropriate, adjustment at the request of either parent or of the CSE agency. The second step, effective October 1993, required putting in place a process for review and adjustment of orders at intervals of 36 months or less, unless, in the case of non-AFDC families, neither parent requested a review, or, in the case of AFDC families, a review was thought to be against the best interest of the child and neither parent requested one.

Based on evidence from several states, CBO estimated that review and modification increases award amounts by an average of 60 percent for those families whose awards are altered. Few cases--an estimated 15 percent of those potentially eligible for a review--appear to have their awards changed, however.

Immediate Wage Withholding

In 1989, only one-half of the women awarded child support received the full amount owed them. To improve that situation, the Family Support Act required that wages be withheld immediately for all newly issued or modified orders for families receiving CSE services beginning November 1990, unless the court found good cause not to or both parties agreed to an alternative arrangement in writing. Beginning in January 1994, the same provisions were applied to all child support orders issued, regardless of whether or not the families receive CSE services.

Based on the available research, CBO estimated that immediate wage withholding increases the probability of receiving any child support by 8 percentage points and the probability of receiving the full amount due by 5 percentage points.

Wage withholding is not necessarily used in all the cases for which it might apply; indeed, CBO estimated that it is used in only two-thirds of those cases.

CHILD SUPPORT IN 1995

The child support system in 1995 may be quite different than it was in 1989, the last year for which data from the Bureau of the Census are available. Demographic changes continue so that never-married mothers will account for a growing proportion of all those who have children eligible for child support from noncustodial fathers. In 1992, births out of wedlock numbered 1.2 million; divorces also numbered 1.2 million, but only one-half of them involved children. Thus, demands on CSE agencies should be even greater and average child support outcomes poorer. But recent legislative changes should improve child support outcomes, and by greater amounts as time passes and more families are covered by the new rules.

As a starting point for examining proposed legislation, CBO projected the number of mothers eligible for child support and child support outcomes in 1995, based on extrapolations of child support trends in the 1980s and on estimated legislative effects (see Summary Table 1).

CBO projects that mothers eligible for child support from noncustodial fathers will increase by 1.6 million, or 14 percent, over the six-year period. Because never-married mothers were estimated to account for three-quarters of the increase, they would make up about one-third of all mothers eligible for child support, compared with one-quarter six years earlier. The establishment of paternity, with its attendant costs and difficulties, may thus play an even greater role in the work of the CSE agencies.

CBO's projections indicate that child support outcomes will improve in almost every way. The proportion of eligible mothers who have awards is estimated to increase from 48 percent in 1989 to 53 percent in 1995; because of an **above-average** increase for never-married mothers, the gap between never-married mothers and others is expected to decline. The proportion of mothers who receive a child support payment, among those who have awards, is also projected to rise: from 77 percent to 81 percent. Average award and payment amounts per mother are expected to increase by around 15 percent, bolstered by the legislation on guidelines and

SUMMARY TABLE 1. CHILD SUPPORT BY MARITAL STATUS, 1989 AND 1995

Marital Status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Average Child support Received ^c (In nominal dollars)
Estimates for 1989					
Divorced	3,618	69	3,381	77	2,802
Separated	1,668	37	2,949	80	2,478
Married^d	3,250	56	2,978	77	2,491
Never Married	2,840	21	2,022	74	1,648
All	11,377	48	3,055	77	2,544
Projections for 1995					
Divorced	3,831	67	4,508	80	3,711
Separated	1,497	41	2,698	80	2,408
Married^d	3,624	62	3,014	81	2,601
Never Married	4,050	35	2,811	82	2,101
All	13,002	53	3,507	81	2,895
Changes from 1989 to 1995^e					
Divorced	213	-1	1,127	3	909
Separated	-171	4	-251	1	-70
Married^d	374	6	36	4	110
Never Married	1,210	14	789	8	453
All	1,625	4	452	4	351

SOURCE: Congressional Budget Office based on estimates from TRIM2 microsimulation model.

NOTES: Estimates for 1989 are taken from the child support module of the TRIM2 microsimulation model, based on the April 1990 Child Support Supplement of the Current Population Survey and the March 1990 Current Population Survey. Projections for 1995 are from TRIM2 simulations, based on Congressional Budget Office projections and estimated legislative effects for 1995.

- Eligible women are those with children under 21 years old who are eligible for child support payments from a noncustodial father. Estimates of the number of eligible women are for 1990 and 1996, the years following data on their child support outcomes.
- Mothers who have awards of child support are only those eligible to receive child support payments in 1989 or 1995.
- Average amounts are per mother.
- Married women are those currently **married** who have a child from a previous marriage or a birth out of wedlock.
- Changes in outcomes shown as percentages are in percentage points.

review and modification. After adjusting for inflation, however, the 1995 amounts may be slightly lower than those in 1989.

CHAPTER I

INTRODUCTION

In 1992, more than one-fifth of all children under the age of 18 in the United States lived in poverty. The plight of those children living in families headed by single women was sharply worse; about 55 percent were poor. If the children were black or Hispanic, the proportion of poor jumped to about two-thirds. But most of those children might have received child support from their noncustodial fathers.

In an attempt to meet the needs of children, the child support system underwent enormous change during the 1980s and early 1990s. The federal government enacted laws that imposed many new requirements on state child support enforcement (CSE) agencies and on the courts in an effort to improve a system that often failed the families it was meant to serve. At the same time, states initiated many of their own reforms.

The child support system is continuing to evolve. **Some** provisions of legislation enacted years earlier are only now becoming effective. In addition, the impacts of some provisions carried out in past years, such as withholding child support from a noncustodial parent's wages immediately following an award, are building up over time as they affect more and more families. In this changing environment, the Congress is considering further, sometimes extensive reforms of the child support system.

THE STATUS OF CHILD SUPPORT IN 1989

The child support system is complex, involving federal, state, and local CSE agencies and local courts and administrative bodies. Before a family can formally receive child support, **a** number of steps must be taken by that family and the institutions engaged **in ensuring that** child support is provided by the noncustodial parent. Following **a separation** or divorce, a custodial parent must secure a child support award from an **administrative** agency or court, which also sets the award amount. If the mother has never married, the child's paternity must be established before obtaining a child support award. Having an award, however, does not guarantee payment of child support. Unless the noncustodial parent freely pays the child support, government agencies or the private legal system must enforce payment. At any point in this process, the system may break down, depriving the family of its child support.

The system often breaks down. In 1989, the most recent year for which data on child support from the Bureau of the Census are available, only 58 percent of the mothers eligible to receive child support--that is, mothers with children whose fathers did not have custody--had awards.¹ Of those mothers who were due child support, about one-half received the full amount they were owed, one-quarter received partial payment, and one-quarter received nothing.

Award amounts averaged \$3,025 a year for mothers who had awards in 1989.² Most of those mothers had only one child with a noncustodial father; about one-third had two children and about 10 percent had three or more. For those mothers who received a payment, the amount of child support received averaged \$2,675. Child support provided almost one-fifth of those families' **annual** income, and more than one-third of their income if the families were poor.

For all of those mothers, \$11 billion in child support was received in 1989; another \$5 billion was owed but not paid. Those numbers, however, sharply understate the potential for child support payments to children. If all awards were updated to reflect current guidelines and incomes of noncustodial parents, the amount of child support due would rise markedly. Even more important, if most children were awarded child support and if all noncustodial parents paid the full amounts due, payments to children would jump **sharply**.³

The effectiveness of the child support system in securing payments for children varies greatly among mothers. It is least successful for those who have never married. They were only one-third as likely to have an award in 1989 as divorced mothers. Moreover, although they were almost as likely as other mothers to receive a child support payment if they had an award, the amounts they received averaged only 57 percent of the amounts that divorced mothers received. Mothers who were members of a minority, younger, and had less education were less likely to have an award and more likely to have significantly lower child support payments. Those characteristics are generally associated with a higher probability of never having married.

-
1. These descriptive data on child support, taken **from** a 1990 survey of the Bureau of the Census, do not include custodial fathers. In 1990, those fathers numbered 1.4 million, or about 14 percent of **all** parents eligible for child support. For expositional ease, custodial parents are referred to as mothers.
 2. These dollar amounts differ from published numbers of the Bureau of the Census. The published numbers were adjusted by Census; these numbers were not. See Appendix B for more information.
 3. By one recent estimate, the full potential for child support paid by **noncustodial** fathers totals around \$50 billion. That figure is an overstatement, however, because many mothers do not want child support awards and award amounts were simulated based on only one **state's--rather** than each **state's--** guidelines. See Elaine Sorensen, "Noncustodial Fathers: Can They **Afford** To Pay More Child Support?" (The Urban Institute, Washington, D.C., 1993).

Never-married mothers grew as a proportion of all single mothers during the 1980s, making the jobs of child support agencies and the courts more difficult. In 1982, 80 percent of mothers eligible to receive child support **from** noncustodial fathers were divorced or separated; only 20 percent had never been married. By 1990, never-married mothers accounted for 30 percent of all mothers eligible for child support, and divorced and separated mothers accounted for 70 percent. It is in this setting that any child support bills will be debated by the Congress.

RECENT LEGISLATIVE PROPOSALS

Proposals to change the child support system are likely to play a major role in Congressional efforts to alter welfare and related social programs **in** 1995. Several major child support bills have been introduced thus far. Although it is still too early to know the specifics of all the proposals that the 104th Congress will consider, they are likely to follow the recurring themes of the many child support bills introduced in the last **Congress**.⁴

Many of the bills considered by the **103rd** Congress continued the tradition of legislation enacted in past years requiring state child support enforcement agencies to adopt certain procedures or meet specified performance standards. For example, many proposed laws would have required states to adopt procedures for early voluntary acknowledgment of paternity or for seizure of the assets of legally obligated parents who were in arrears on their child support payments. **Other** bills would have established a federal registry to track child support orders and collections, and called for a commission to study the desirability of uniform national guidelines for setting awards.

Increasing establishments of paternity was another recurring theme. A number of bills would have expanded education and outreach programs, required states to adopt procedures to make the voluntary establishment of paternity easier and faster, and raised the percentage of paternities that states would have to establish to meet federal performance standards. In addition, the Administration's 1994 welfare reform and child support bill would have defined cooperation in establishing paternity more strictly for women applying for benefits **from** the Aid to Families with Dependent Children (AFDC) program. It would also have allowed states one year to establish paternity or risk losing a portion of their AFDC matching payments.

4. For more information on the provisions **in** the specific bills, see Carmen D. Solomon and Gina M. Stevens, "Child Support: Proposals to Strengthen Enforcement," *CRS Issue Brief* (Congressional Research Service, 1994) **and** Vee Burke, "Welfare Reform Proposals: Brief Descriptions," *CRS Report to Congress* (Congressional Research Service, 1994).

Most of the bills addressed improving the enforcement of child support orders with dozens of provisions. Many were based on recommendations of the U.S. Commission on Interstate Child Support, which issued its report in 1992.⁵ One of the most recurrent provisions would have required new employees to report child support obligations on a revised W-4 form, making location of noncustodial parents easier and wage withholding more effective. Other bills would have denied licenses--professional, occupational, or drivers'--to legally obligated parents or would have placed liens on their property if they failed to pay support. Many bills would have required states to set up central registries that would track child support orders and payments. Some would also have required centralized collection and disbursement of payments. Furthermore, states would have been required to adopt the Uniform Interstate Family Support Act (UIFSA), which makes sure that only one controlling support order exists at a time.

In order to assist states in meeting those major new requirements, some of the bills would have increased the federal government's share of financing CSE agencies. The federal government currently funds 66 percent of most administrative costs and makes incentive payments to states based on the collection-to-cost ratios in their CSE programs. The **Administration's bill**, for example, would have raised the federal matching rate in steps to 75 percent in fiscal year 1998; further increases of as much as 15 percentage points, based on a state's performance in establishing paternity and in other areas of child support, would have replaced current incentive payments.

As background for any further legislative changes, it is important to know how the child support environment changed in the 1980s and what it might look like in 1995. Legislation enacted in the late 1980s and the early 1990s is affecting the child support system in important ways. The Congressional Budget Office (CBO) projects the 1995 child support environment based on estimated effects of those recent legislative changes and on extrapolations of trends in the 1980s.

5. Commission on Interstate Child Support, *Supporting Our Children: A Blueprint for Reform* (1992).

CHAPTER II

THE CHANGING ENVIRONMENT: A LOOK BACKWARD

During the **1980s**, the most striking aspect of overall child support outcomes--such as the probability that a mother has a child support award or receives child support payments--was their relative stability. That was the case despite large demographic changes that made the jobs of child support agencies more difficult and positive outcomes harder to attain. The passage of considerable federal legislation, however, and state initiatives to make child support programs more effective certainly improved outcomes beyond what would have occurred without them.

MOTHERS ELIGIBLE FOR CHILD SUPPORT

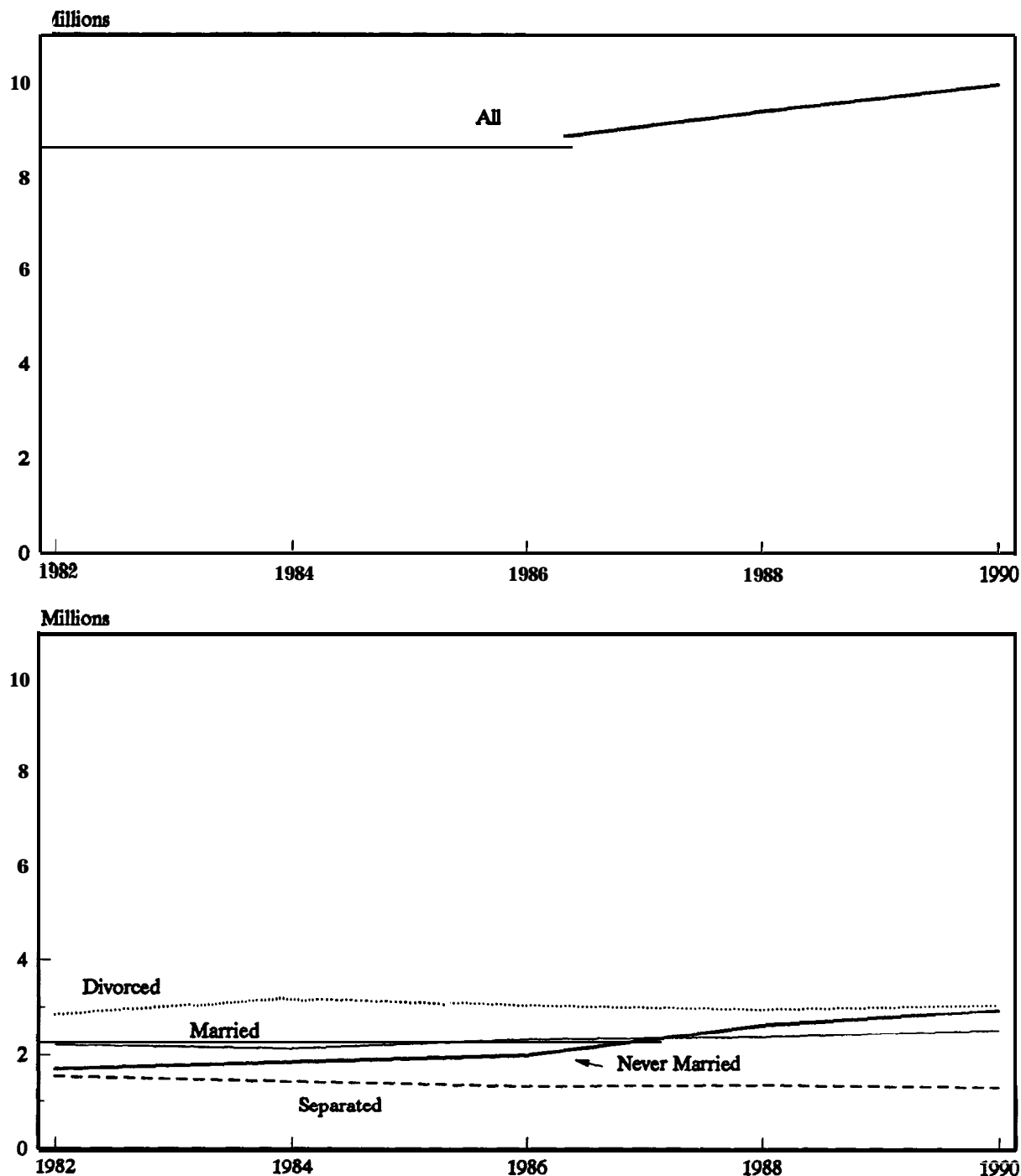
A parent is potentially eligible for child support when a marriage breaks up or a mother has a child out of wedlock and lives apart from the child's father. The number of mothers who had children eligible for child support **from** noncustodial fathers grew continuously during the 1980s and after mid-decade that growth accelerated (see Figure 1). **In** 1982, the Bureau of the Census reported a total of 8.4 million eligible mothers; by **1990**, the total had reached 10 **million**.¹ The children eligible for child support in **those** families numbered at least 16 million.

Most of that increase, particularly after 1986, was caused by mothers who had never married. The number of mothers currently married, who had previously been divorced, also increased modestly over the decade. The number of divorced and separated mothers, who in **1990** accounted for about 45 percent of all eligible mothers, was unchanged.

Trends in divorces and out-of-wedlock births are the major influences on the changing makeup of the group of mothers eligible to receive child support. Divorce rates remained remarkably stable during the 1980s and early **1990s**, as did the

1. These data are taken **from** the Bureau of the Census 1990 matched March Current Population Survey and April Child Support Supplement (CPS-CSS), which provides child support information for 1989 and a count of mothers for 1990. Those data undercount the number of mothers with children eligible for child support payments, as explained later.

FIGURE 1. MOTHERS ELIGIBLE FOR CHILD SUPPORT FROM NONCUSTODIAL FATHERS, BY MARITAL STATUS, SELECTED YEARS 1982-1990



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1982-1988 period are for women 18 years old and older, data for 1990 are for women 15 years old and older.

Data from the Bureau of the Census provide information on child support outcomes for 1989 (and 1981 through 1987) but a Count of mothers for 1990 (and 1962 through 1988).

number of divorces, about one-half of which involved children (see Figure 2). Those summary statistics reflect--and conceal--several important demographic changes. For most age cohorts, divorce rates increased in the **1980s**, but the overall divorce rate fell slightly. Why? First, the number of women between 15 and 24 years old, for whom divorce rates are high, dropped sharply. At the same time, the number of women between 25 and 49 years old rose considerably, reflecting the baby boom that began in the late **1940s**.² However, divorce rates decline as the age of the woman increases. Second, marriage rates declined for all age cohorts, but especially for **15- to 24-year-olds**, and fewer married women mean fewer divorces when other factors are unchanged.

By contrast, birth rates for unmarried women increased rapidly throughout the **1980s**, as did the number of births. The birth rate for unmarried women 15 to 44 years old increased from 29 per 1,000 in 1980 to 45 per 1,000 in 1992, a rise of more than 50 percent. In 1992, however, the rate remained unchanged from the preceding year, perhaps signaling a leveling off of the 1980s upward trend. By 1992, 30 percent of all births were to unmarried women.

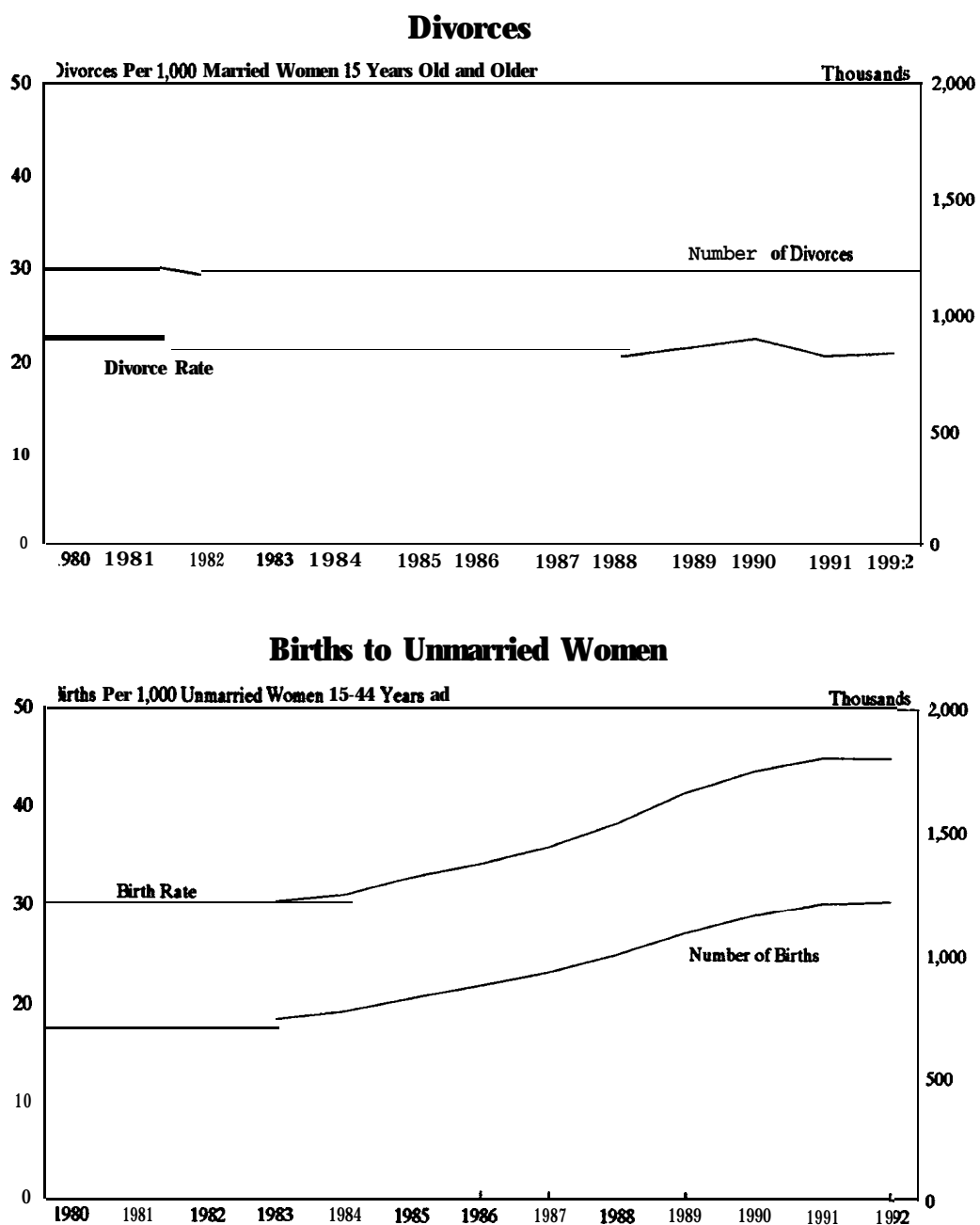
That trend in birth rates was pervasive, affecting all age cohorts and races. Rates of increase were highest for older women and whites, but their birth rates were low in relation to those for other groups of women. Although birth rates for whites rose throughout the period (including in **1992**), rates for most black age cohorts fluctuated: dropping during the first half of the decade as they had during the **1970s**, rising during the last half, and then declining again beginning in 1991 or 1992, depending on age.

Although all children born out of wedlock are potentially eligible for child support, only **first** births to unmarried mothers create a new family eligible for such support. From 1980 to 1991, such first births increased from about 370,000 to 580,000 a year, or by 57 percent. All age cohorts and races participated in the rise. Although growth was highest for older women, women 24 years old and younger accounted for 82 percent of all first births to unmarried women in 1991. Teenagers alone accounted for 48 percent of such births (see Figure 3).

That rising share of children born out of wedlock has important implications for child support agencies, their spending, and their overall effectiveness. Before a child born out of wedlock can receive child support, at least formally, paternity must be established, a sometimes costly and time-consuming process that may require

2. Baby **boomers** are men and women born in the years 1946 through 1964, a period of relatively high birth rates.

FIGURE 2. NUMBER AND RATES OF DIVORCES AND BIRTHS TO UNMARRIED WOMEN, 1980-1992

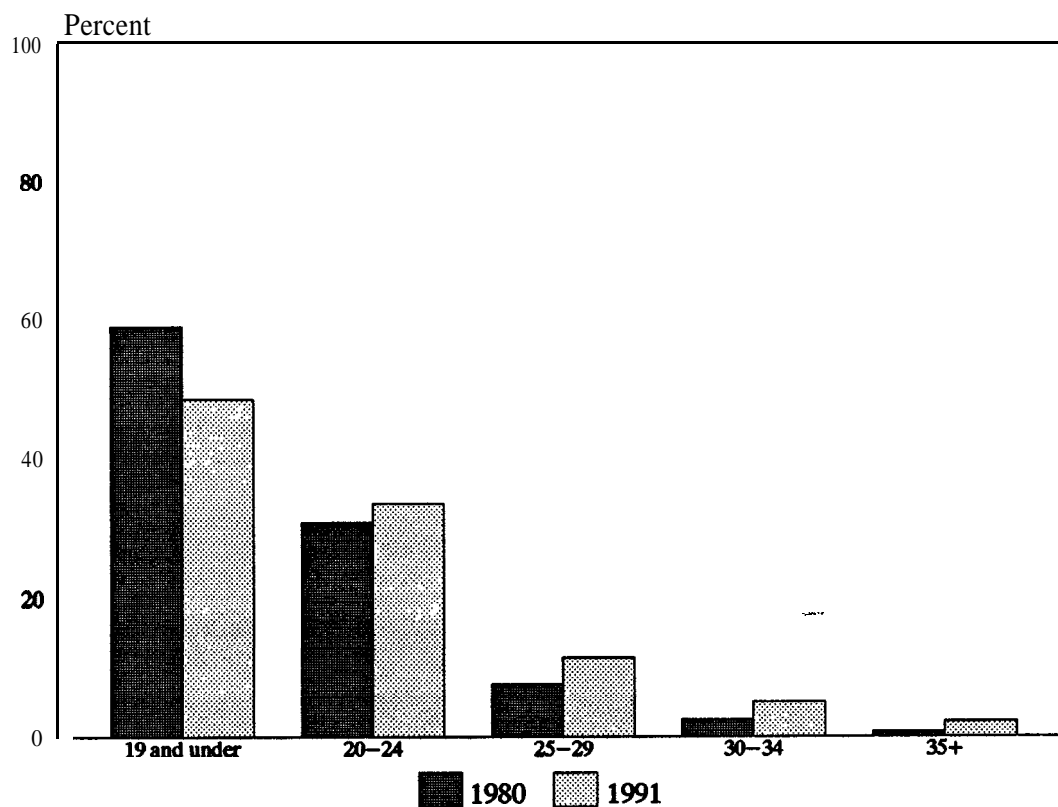


SOURCE: Congressional Budget Office calculations based on data from the National Center for Health Statistics.

NOTES: Number of births refers to births to unmarried women of all ages.

The divorce rate for 1989 was not available and therefore was imputed.

FIGURE 3. DISTRIBUTION OF FIRST BIRTHS AMONG UNMARRIED WOMEN, BY AGE, 1980 AND 1991



SOURCE: Congressional Budget Office calculations based on data from the National Center for Health Statistics.

NOTE: The term "first birth" refers to the first child born alive to a mother.

locating the father and blood testing. Following the establishment of paternity, child support awards must be secured. By contrast, children of divorced parents often have awards when their mother or father seeks the services of a child support agency.

CHILD SUPPORT AWARDS AND PAYMENTS

Continual increases in the number of families eligible for child support, as well as changes in their composition, make the task of improving the child support environment more difficult. Because the number of families that are newly eligible for child support increases each year, and there are more difficult paternity cases to process, fewer resources are left for improving child support for those families already eligible. Nonetheless, the child support environment improved modestly for many mothers during the 1980s.

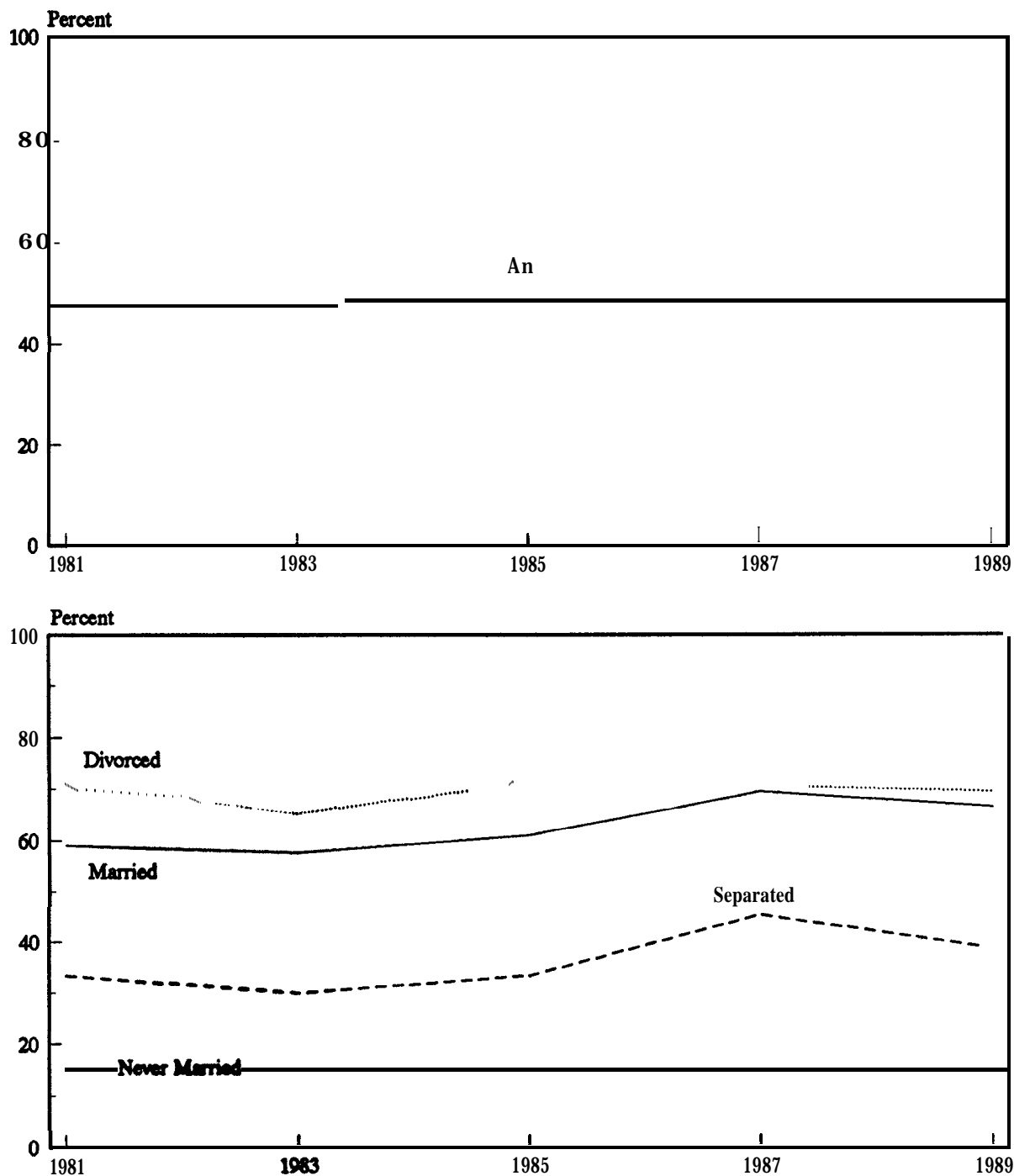
Before a mother can **officially** receive child support, the courts must award her child support and set the amount she is to receive. Other mothers, however, may have voluntary agreements with noncustodial fathers. The proportion of all eligible mothers who have awards increased slightly during the **1980s--from** 48 percent in 1981 to 50 percent in 1989. After allowing for changes in the marital status of eligible mothers, however, the improvement has been more marked, particularly for never-married mothers (see Figure 4).³ Only 10 percent of never-married mothers had awards in 1981, but by 1989 the proportion--at 20 percent--had doubled, although it remained well below the rate for other mothers. More separated and currently married mothers also had awards in 1989. For the former, the proportion increased from 33 percent to 39 percent, and for the latter, the increase was from 59 percent to 67 percent. Only for divorced mothers was the proportion basically unchanged. Thus, the sizable disparities in award status among mothers whose marital status was different narrowed some during the decade.

At the same time that the courts award child support to a custodial parent, they set the amount that is to be paid. For those mothers who had awards, the average amount of child support due declined during the decade after adjusting for **inflation--from** \$3,938 per mother in 1981 to \$3,524 in 1989, both expressed in 1993 dollars (see Figure 5).⁴ Few awards are adjusted automatically for increases in the

3. The precise statistics are shown in Appendix D.

4. These data must be used with care because of the wide swings over time. They may reflect some inconsistencies in the data for 1987 and 1989 compared with the earlier years, as discussed in Appendix B.

FIGURE 4. WOMEN WHO HAVE CHILD SUPPORT AWARDS AS A PERCENTAGE OF THOSE WHO ARE ELIGIBLE, BY MARITAL STATUS, SELECTED YEARS 1981-1989



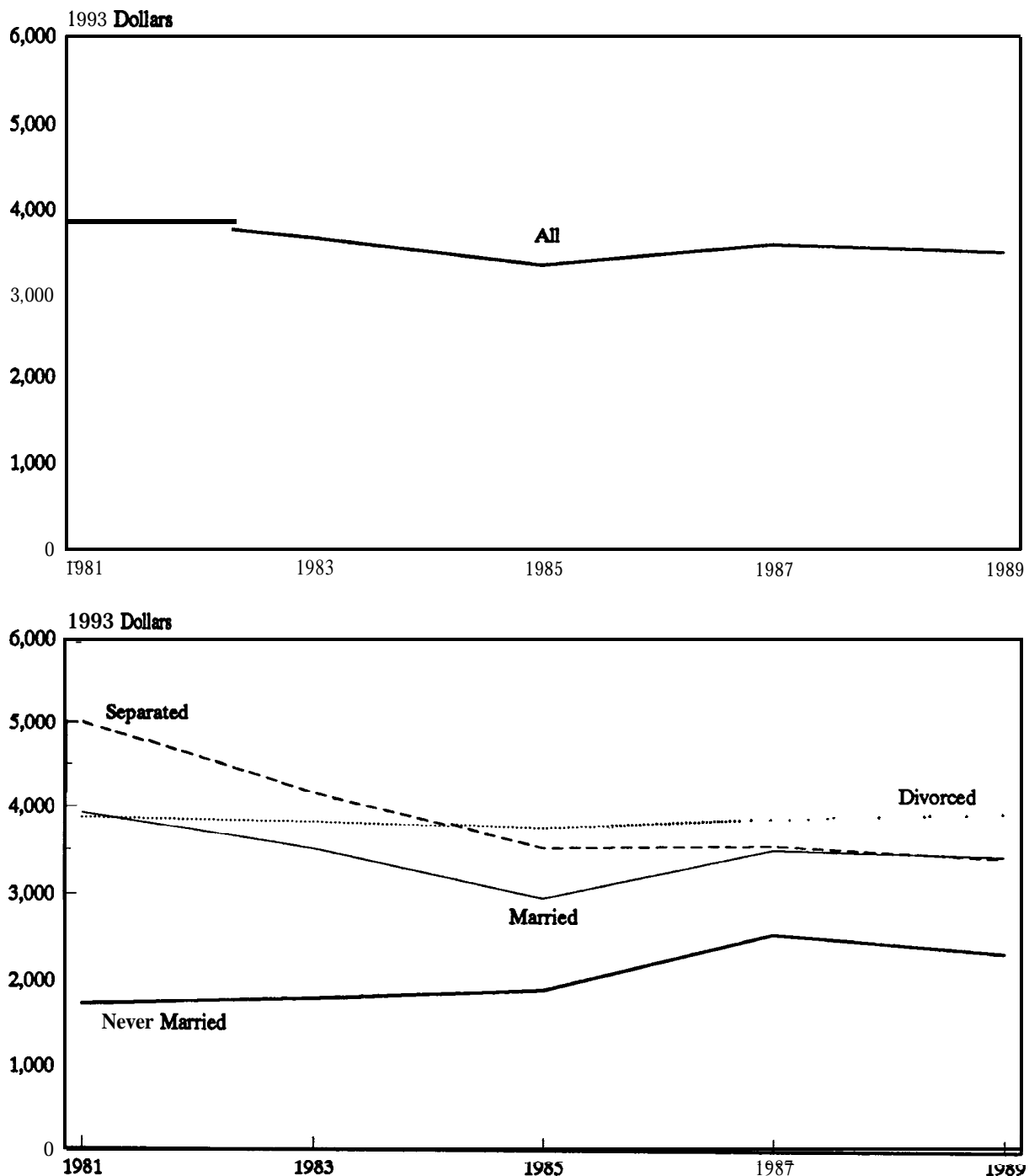
SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older, data for 1989 are for women 15 years old and older.

Mothers who have awards of child support are only those eligible to receive payments.

FIGURES. AVERAGE AMOUNT OF CHILD SUPPORT DUE TO MOTHERS, FOR THOSE WHO HAVE AWARDS, BY MARITAL STATUS, SELECTED YEARS 1981-1989



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

Mothers who have awards of child support are only those eligible to receive payments.

Average amounts are per mother.

Data for 1987 and 1989 are before adjustment of payment amounts by the Bureau of the Census. The 1987 and 1989 amounts may not be consistent with amounts in the preceding years.

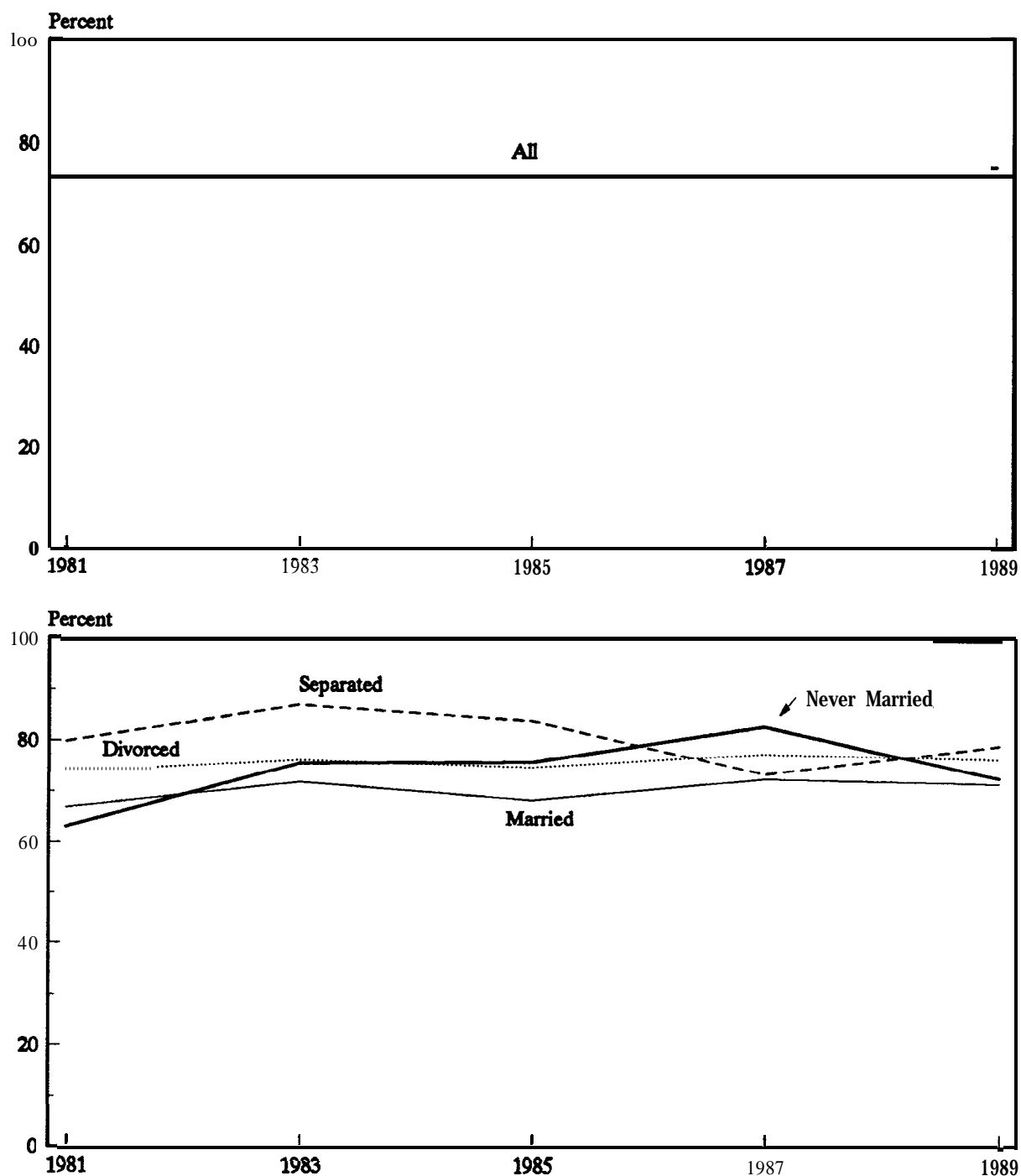
cost of living, and during the 1980s few were modified for changes in the fathers' incomes. Award amounts were much lower for never-married mothers, presumably reflecting lower incomes of the noncustodial fathers at the time of the awards. Recent evidence, however, indicates that after a period of years the incomes of those fathers and other fathers become similar. By the end of the decade, the disparity in award amounts had been sharply reduced, so that in 1989 award amounts for never-married mothers rose from about 40 percent of the average for other mothers in 1981 to about two-thirds.

Securing a child support award does not guarantee receipt of the support, and there appears to have been little improvement in enforcing payment in the 1980s. After a jump between 1981 and 1983 in the proportion of mothers who received some child support payments, among mothers who had awards, there was little change, regardless of the mother's marital status (see Figure 6). For mothers who had awards in 1981, the probability of receiving child support payments was fairly similar for those who had differing marital statuses. By 1989, the relatively small differences had narrowed even further.

Among mothers who received some child support, the percentage who received the full amount increased slightly, from 65 percent in 1981 to 68 percent in 1989 (see Figure 7). Although the increase affected most of ~~those~~ mothers during the 1980s, it did not affect never-married mothers. Their proportion dropped sharply from a reported 80 percent in 1981 to 65 percent in 1983, and it remained at about that level during the remainder of the 1980s.

The average amount of child support that mothers received each year declined slightly after adjusting for inflation--from \$3,375 per mother in 1981 to \$3,119 in 1989 (see Figure 8). Payments to mothers showed the same sharp drop and then jump in the mid-1980s that was evident in average award amounts (and may be the result of data inconsistencies). As had award amounts, payments showed the greatest increase for never-married mothers, rising by more than one-third from 1981 to 1989. Nonetheless, the disparity between average amounts received by never-married mothers and others remained large in 1989. That disparity probably reflects lower award amounts for never-married mothers rather than lower compliance rates by their children's fathers; as noted above, those mothers are about as likely to receive a child support payment and to receive the full amount due as other mothers.

FIGURE 6. WOMEN WHO RECEIVE CHILD SUPPORT PAYMENTS AS A PERCENTAGE OF THOSE WHO HAVE AWARDS, BY MARITAL STATUS, SELECTED YEARS 1981–1989



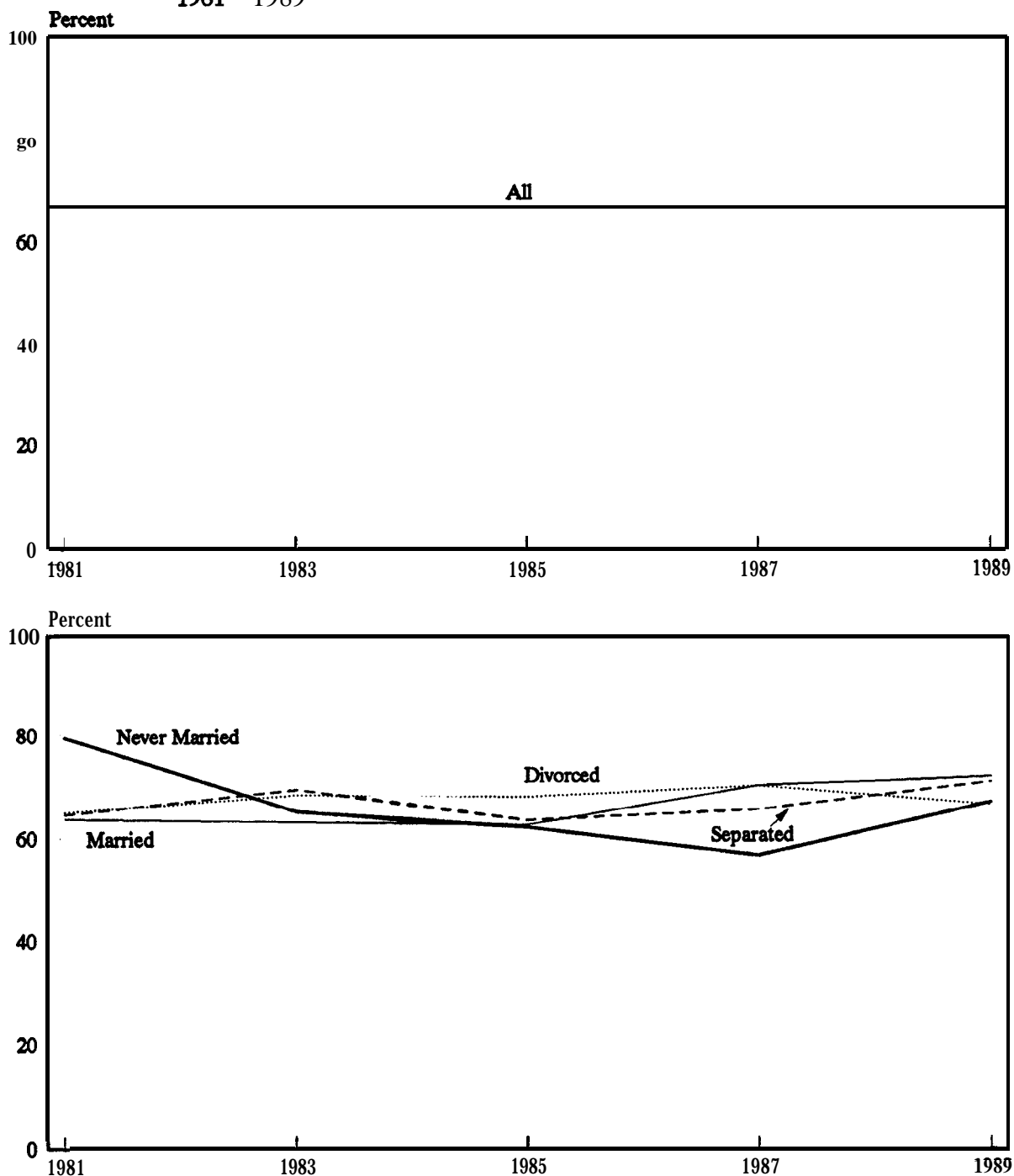
SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981–1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

Mothers who have awards of child support are only those eligible to receive payments.

FIGURE 7. WOMEN WHO RECEIVE FULL AMOUNT OF CHILD SUPPORT DUE AS A PERCENTAGE OF THOSE WHO RECEIVE SOME CHILD SUPPORT, BY MARITAL STATUS, SELECTED YEARS 1981- 1989

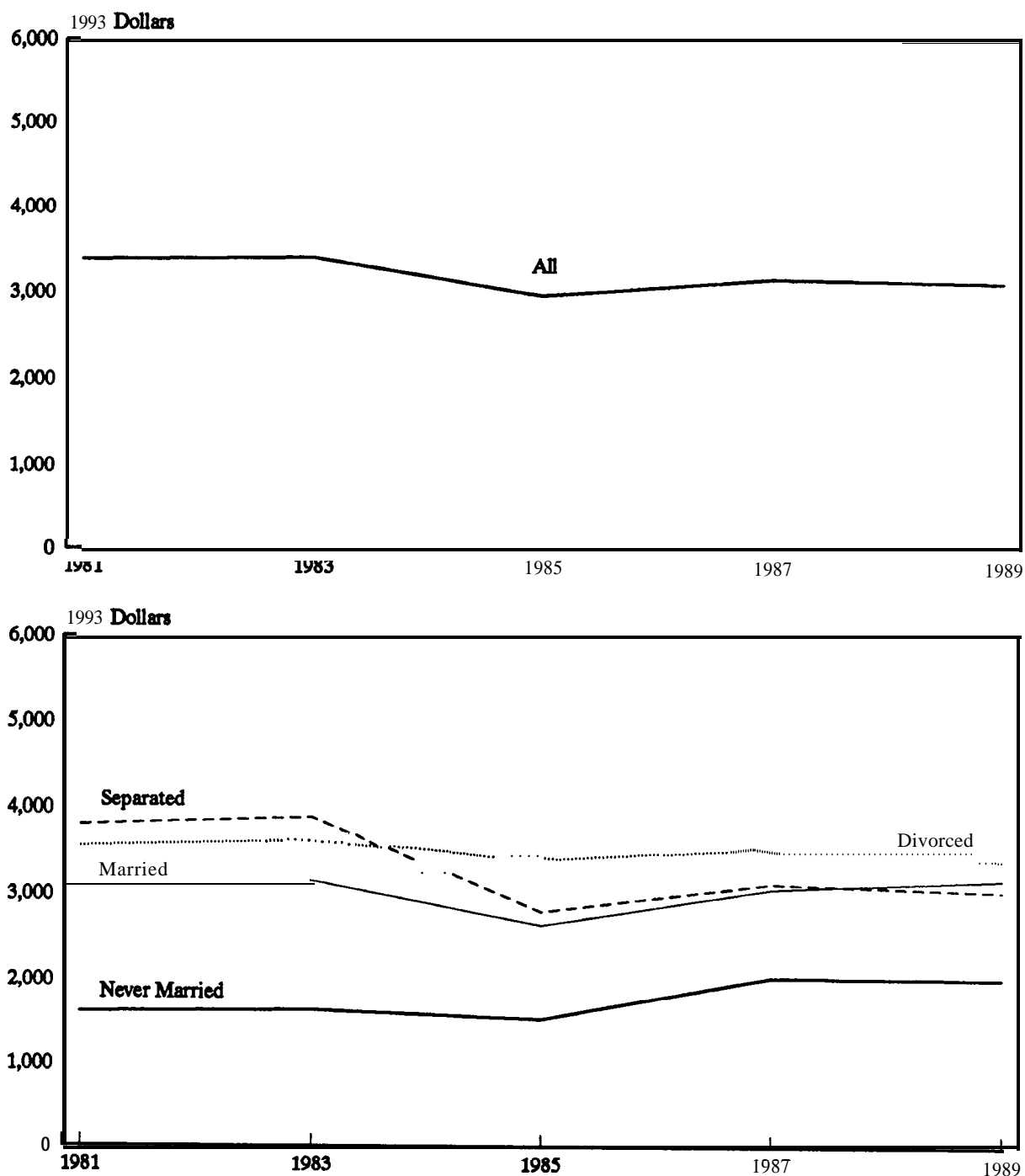


SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

FIGURE 8. AVERAGE AMOUNT OF CHILD SUPPORT FOR MOTHERS WHO RECEIVE CHILD SUPPORT, BY MARITAL STATUS, SELECTED YEARS 1981–1989



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the **Current** Population Survey.

NOTES: The Child Support Supplements are conducted **every two years**.

Data for the **1981–1987** period are for women 18 years old and **older**; data for **1989** are for **women** 15 years old and older.

Average amounts are **per** mother.

Data for **1987** and **1989** are before adjustment of payment amounts by the Bureau of the Census. The **1987** and **1989** amounts may not be consistent with amounts in the preceding years.

CHANGING LAWS AND INSTITUTIONS

Perhaps the most surprising aspect of the modest changes in child support outcomes for most families is that they occurred at a time when child support laws and institutions were undergoing marked changes. The Child Support Enforcement program, which was enacted in January 1975, played a growing role in the system of child support. Legislative changes, especially the Child Support Enforcement Amendments of 1984, boosted its **importance**.⁵ At the same time, child support programs run by states and localities underwent important changes, sometimes in response to federal laws and regulations and at other times in an effort to achieve greater effectiveness on their own. Federal, state, and local spending increased sharply to support those changes.

Overview of Federal and State/Local Roles in Child Support

Until the **1970s**, family law, including child support, was largely the domain of local courts and related entities. Although laws were passed in the 1950s and 1960s increasing the federal role in child support for children who were recipients of Aid to Families with Dependent Children (AFDC), it was not until the Congress established the Child Support Enforcement program as title IV-D of the Social Security Act that the federal government actually began to play a major role in child support.

The CSE, or IV-D, program establishes paternity, locates noncustodial parents, establishes child support orders, and enforces child support obligations. It serves families who receive assistance from the AFDC, Foster Care, and Medicaid programs; families who formerly received assistance; and other families who apply to the CSE program for services. All states that operate AFDC programs are required to run CSE programs under the Social Security Act.

The federal Office of Child Support Enforcement (OCSE), located in the Department of Health and Human Services, sets standards and policy, evaluates and audits state performance, and funds a portion of program costs. The state or local CSE agencies work with court officials to establish and enforce support orders and

5. The Family Support Act of 1988 is not mentioned here because it scarcely affected child support outcomes before 1990.

to collect and distribute support. Both federal and state governments share the program costs.⁶

An Expanding Federal Role

The CSE and AFDC programs are closely tied, and those ties were the main focus of the CSE program in its early years. Because federal, state, and local governments together pay for the costs of assisting AFDC families, it is in their interest to recover some of those costs by increasing collections of child support for families on welfare.

As a condition of receiving AFDC, custodial parents must assign their support rights to the states and cooperate in providing information that enables the states to establish paternity, secure an order, and obtain child support. If the custodial parents do not cooperate--or are not excused for "good cause"--they may lose their (adult) portions of the AFDC grant. If the child support office is successful in enforcing the payment of child support, the AFDC parents keep amounts paid up to \$50 each month, without any reduction in AFDC benefits, and federal, state, and local governments retain the remainder to help cover their shares of the parents' AFDC payments.⁷ If the parents leave AFDC, they receive child support directly, but states may use any payment of past-due amounts to cover previous AFDC payments to them.

In the decade after the establishment of the CSE program, the Congress slowly but steadily expanded the federal role in child support. For example, the Congress established a program securing medical support from noncustodial parents for children receiving Medicaid, made federal financial participation in costs for non-AFDC families permanent, extended federal financing to certain court costs, and expanded incentive payments to states.

It was not until the Congress enacted the Child Support Enforcement Amendments **of 1984, with unanimous** votes by both the House and the Senate, that

6. For **more detail on** the CSE program than is presented in this paper, **see** Carmen D. Solomon, "The Child **Support Enforcement** Program: Policy and Practice," CRS *Report to Congress* (Congressional Research Service, December 1989); Department of Health and Human Services, **Office** of Child Support **Enforcement**, *Child Support Enforcement: Eighteenth Annual Report to Congress* (1994); and General Accounting **Office**, *Child Support Enforcement: Families Could Benefit From Stronger Enforcement Program* (December 1994).

7. Seven states are required to pass through larger amounts to the families. In those states, the AFDC payment is less than the standard of need and a requirement exists to use "fill-the-gap" budgeting for child support because such budgeting was in effect in 1975.

the child support environment was changed radically. Most important, the act required that CSE program services be made available to non-AFDC families on a more equitable basis compared with AFDC families, mandated that state and local programs use specified procedures to improve program performance, and restructured federal financing.

In its early years, the CSE program focused its services on AFDC families. In fact, some states provided services only to families receiving AFDC. The 1984 amendments, however, altered the statement of purpose of the program, "...assuring that assistance in obtaining support will be available under this part to all children (whether or not eligible for aid under part A) for whom such assistance is requested."⁸ Since the amendments were enacted, non-AFDC cases in the CSE program have grown rapidly, accounting for one-half of all cases in the program in fiscal year 1993 compared with only one-fifth in 1980 (see Figure 9).

Non-AFDC families apply for services on a voluntary **basis**.⁹ The law requires that they be charged an application fee of up to \$25, which can also be recovered from the noncustodial parent. Some state and local child support agencies, however, set only nominal fees or pay the fees themselves. Fees may also be charged for certain other services, such as blood tests used to establish paternity. Agencies are also allowed to recover costs from either custodial or noncustodial parents.

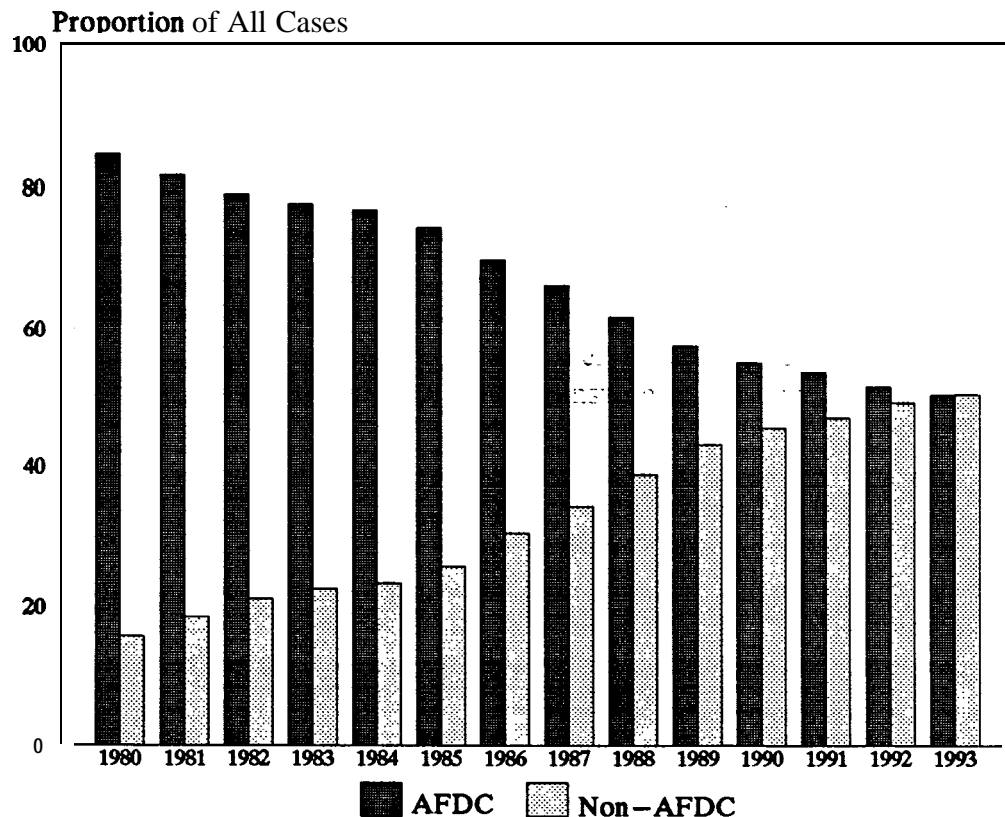
The 1984 amendments imposed a second major change on state and local child support programs. Previously, the federal statute did not generally **specify** the types of procedures that child support agencies had to use in operating their programs. Under the act, state and local governments had to put into effect by October 1, 1985 (or later if changes in state laws were required) the following specified procedures that were thought to improve the effectiveness of child support programs:

- o Wage withholding if support payments are overdue by an amount equal to one month's support (or earlier at state option or if requested by the noncustodial parent);

8. U.S. House of Representatives, *Child Support Enforcement Amendments of 1984, Conference Report*, Report No. 98-925, (August 1, 1984), p.29. "Part A" refers to eligibility for **AFDC**, which is authorized under title IV-A of the Social Security Act.

9. Non-APDC families who receive Medicaid are required to participate and cooperate in securing medical support from noncustodial parents.

FIGURE 9. COMPOSITION OF CASELOADS IN THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980–1993



SOURCE: Congressional Budget Office based on data from the Office of Child Support Enforcement.

NOTES: Aid to Families with Dependent Children (AFDC) cases also include those in which the family receives only foster care payments or Medicaid.

Data do not include cases labeled as "AFDC arrears only" beginning in 1986. Those are cases not currently receiving AFDC, and they may already be included in the counts of non-AFDC cases.

- o Expedited processes within the judicial system or under administrative processes for obtaining and enforcing support orders (and for establishing paternity at state option);
- o Withholding of state tax refunds due the noncustodial parent by the amount of overdue support;
- o Imposition of liens against **real and** personal property for amounts of overdue support;
- o Establishment of paternity until a child's 18th birthday;
- o Bonds or other guarantees from noncustodial parents with overdue support; and
- o Information on delinquent support of noncustodial parents provided to consumer credit agencies.

Those procedures were not always totally binding. The provisions dealing with state tax refunds, liens, posting bonds or other guarantees, and informing consumer credit agencies did not have to be used if the state thought they were inappropriate in certain cases or did not carry out the purposes of the CSE program.

Data do not exist about the extent to which states are using most procedures. Collections through wage withholding, however, have grown markedly--from \$0.7 billion in fiscal year 1986 to \$4.7 billion in 1993.¹⁰ By 1993, wage withholding accounted for over one-half of all collections in the IV-D system, compared with less than one-quarter in 1986. Collections through offsetting of state tax refunds almost doubled from 1986 to 1993 but still accounted for less than 1 percent of all collections.¹¹

10. Not all of this increase can be attributed to the 1984 act. The Family Support Act of 1988 required that states use "immediate" wage withholding for new and modified IV-D support orders beginning in November 1990. Only if the court finds good reason not to use withholding, or both parties agree in **writing** to an alternative arrangement, is withholding not imposed immediately. Wage withholding and the Family Support Act are discussed in more detail in the next chapter.

11. The method of collection was not specified for 36 percent of collections in fiscal year 1993, and some portion of those collections could also come **from** withholding wages or state tax refunds. Another 10 percent of child support was collected through withholding federal tax refunds and unemployment compensation.

CSE Program Financing

Federal, state, and local governments share in the funding of the IV-D program. The assistance that the federal government provides to states and localities to help pay for their programs comes in two forms: matching of spending and incentive payments.

The federal government's matching rate for most administrative expenditures of states and localities is 66 percent. As the IV-D program became well-established, the matching rate was reduced in several steps during the 1980s from a rate of 75 percent at the start of the program. For laboratory costs associated with paternity establishment and for the costs of developing, acquiring, and improving management information systems (through fiscal year 1995), the federal government pays 90 percent of costs.

In addition, the federal government makes incentive payments to states--and through them to localities--based on each state's ratio of child support collections to administrative costs. Incentive payments need not be used to supplement the states' CSE programs and are sometimes used to meet states' CSE match for federal funds or for other purposes.¹² Each **state** receives a payment equal to at least 6 percent of collections for AFDC families and 6 percent of collections for non-AFDC families. As each state's collection-to-cost ratio rises, the incentive payment also rises, to a maximum of 10 percent (see Table 1).¹³ Incentive payments for non-AFDC families, however, are capped so that they do not exceed 115 percent of payments for AFDC families. In recent years, most states received incentive payments of 6 percent to 7 percent on their AFDC collections and few received the maximum of 10 percent. Incentive payment rates were **higher** on non-AFDC collections, but most states could not receive the full payment because of the **cap**.¹⁴

States and localities, as well as the federal government, also receive a share of child support collections for **AFDC** families, after distributing to the families up to \$50 a month of any collections on their behalf. The respective governmental shares are based on the AFDC matching rates for states, which currently vary from 22 percent to 50 percent, depending on the state's per capita income.

12. See Department of Health and Human Services, Office of Inspector General, *Child Support Enforcement Incentive Payments* (June 1991) and *The Use and Equity of Child Support Enforcement Incentive Payments at Selected States* (April 1992).

13. In calculating these collection-to-cost ratios, total administrative costs are used, interstate collections are credited to both the initiating and the responding states, and states may, at their option, exclude laboratory costs of determining paternity.

14. General Accounting Office, *Child Support Enforcement*, pp. 47-48.

TABLE 1. INCENTIVE PAYMENT FORMULA

Collection-to- Cost Ratio	Incentive Payment as a Percentage of Collections
Less than 1.4 to 1	6.0
At least 1.4 to 1	6.5
At least 1.6 to 1	7.0
At least 1.8 to 1	7.5
At least 2.0 to 1	8.0
At least 2.2 to 1	8.5
At least 2.4 to 1	9.0
At least 2.6 to 1	9.5
At least 2.8 to 1	10.0

SOURCE: Congressional Budget Office.

NOTES: The incentive payment is calculated separately for Aid to Families With Dependent Children (AFDC) collections and non-AFDC collections. Costs used in both calculations are total administrative costs.

The payment for non-AFDC collections is capped at 115 percent of the payment for AFDC collections.

As noted earlier, states generate some income by charging application and other fees or recovering costs from custodial or noncustodial parents. The amounts involved--\$3 1 million in fiscal year 1993--are less than 2 percent of total administrative expenditures.

In fiscal year 1993, the CSE program cost the federal government \$740 million and saved states and localities about \$460 million (see Table 2). On balance, the program cost about \$280 million after payments were made to AFDC families. An important component of savings, however, is not included in those estimates--namely, what has been called cost avoidance. If child support collected by IV-D agencies makes families ineligible for AFDC, food stamps, Medicaid, and other means-tested programs by raising their incomes or keeps other low-income families from becoming eligible for those programs, then government costs are avoided. In addition, requirements to include health insurance coverage available to the noncustodial parent in the award directly lowers Medicaid spending. Unfortunately, reliable estimates of those savings are not available.

Over time, net costs of the CSE program to the federal government have risen, as have net savings to states and localities, although not as sharply (see Figure 10, top panel). A number of factors account for those trends. Administrative costs increased rapidly for both federal and state governments--from \$0.5 billion in fiscal year 1980 to a total of \$2.2 billion in 1993 (see the middle panel of Figure 10). Over that period, growth in total administrative costs averaged more than 8 percent a year adjusted for inflation and was higher for the states than for the federal government, reflecting in part reductions in the federal matching rate. Incentive payments to states also grew rapidly, from less than \$75 million in 1980 to almost \$340 million in 1993, an average annual increase of just over 8 percent adjusted for inflation (see Figure 10, lower panel).

A final factor that affects net program costs is collection of child support for AFDC families. The savings generated by the program declined beginning in fiscal year 1985 for both federal and state governments when the requirement to give AFDC families up to \$50 a month of the child support collected for them took effect. Such distributions in 1993 totaled about \$455 million. Moreover, how a state fares in the CSE program depends significantly on its share of AFDC collections. States with the lowest federal matching rates in AFDC (that is, the highest state shares of spending) can be better off financially even if their AFDC collections barely exceed their spending on AFDC cases. By contrast, the poorest states with the highest

TABLE 2. FINANCING OF THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEAR 1993 (In millions of dollars)

	Federal	State	Total
Administrative Expenditures	1,515	725	2,240
Incentive Payments ^a	3 4 0	-340	0
AFDC Collections After Distributions to Families ^b	-1,115	-845	-1,965
Direct Net Spending or Savings (-)	740	-460	280

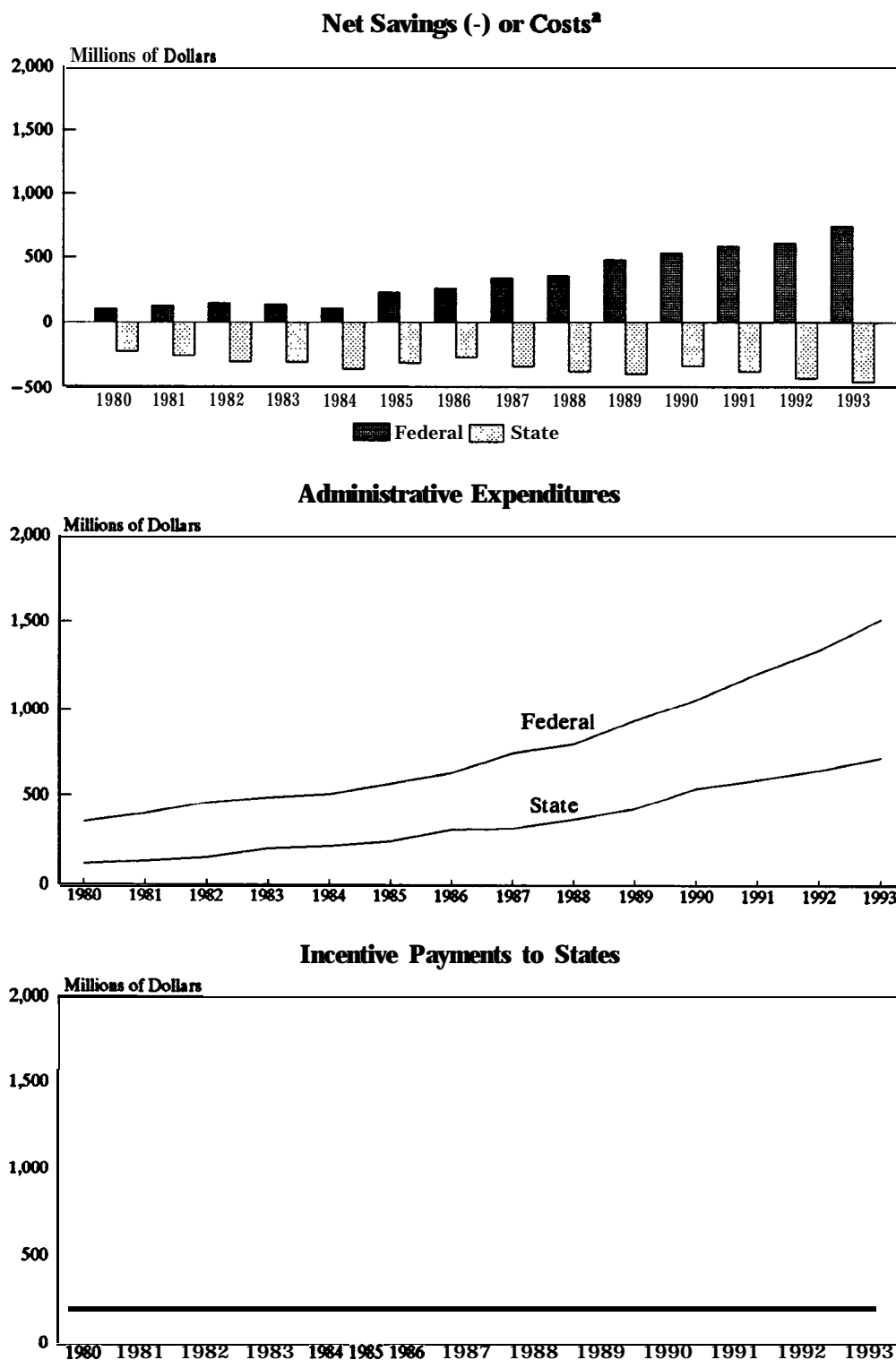
SOURCE: Congressional Budget Office calculations based on data from the **Office** of Child Support Enforcement.

NOTE: Numbers are rounded to the nearest \$5 million.

a. Incentive payments come out of the federal share of child support collections for families receiving payments from the Aid to Families with Dependent Children (AFDC) program.

b. Distributions to **AFDC** families totaled \$455 million.

FIGURE 10. SPENDING AND NET SAVINGS OR COSTS IN THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980– 1993



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

- a. Net savings or costs equal administrative expenditures minus incentive payments minus Aid to Families with Dependent Children (AFDC) child support collections after distribution of child support to families.

federal matching rates, and the lowest state shares, have a much harder time generating net savings.¹⁵

Because most states benefit **from** the CSE program but the federal government is paying an increasing amount for it, the desirability of cutting the federal matching rate has been discussed in recent years. Some also believed that a higher state share of costs might result in more efficient state programs. Several of last year's child support bills, however, proposed increasing the federal matching rate, presumably because of new demands placed on states and desires to improve program performance, particularly if more staff would be needed in local child support offices. Incentive payments have been criticized for placing undue emphasis on the collection-to-cost ratio, which may have induced states to emphasize the easiest cases or those with the lowest costs to the exclusion of more difficult or costly cases, like interstate ones. Some of the recent bills--for example, the Administration's proposal last year or H.R. 785 introduced this year--would replace those incentive payments with schemes that would directly reward such activities as paternity establishment, or such outcomes as the proportion of child support due that is collected or the proportion of cases with a payment.

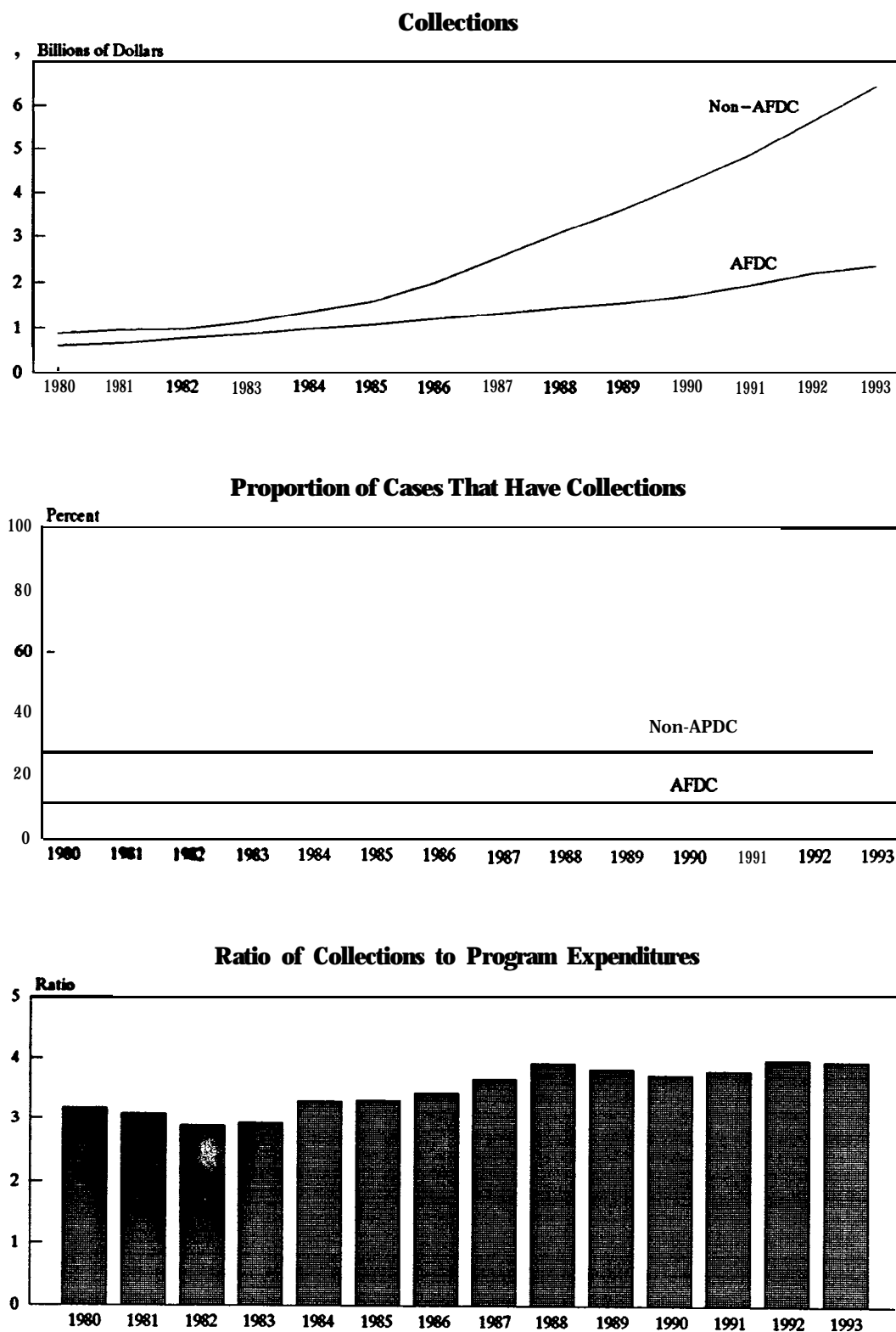
Effectiveness of the Child Support Enforcement Program

The CSE program has grown with the number of single mothers with children. The IV-D agencies are serving more families and providing more services than ever before. In the 13 years from 1980 to 1993, the CSE caseload has more than tripled, the number of paternities established has almost quadrupled, the number of orders established has increased almost three times, and the number of noncustodial parents located has grown sevenfold.

Has the program's effectiveness changed under the impact of this enormous growth in services? No single statistic, or even combination of statistics, can answer that question, particularly in the face of a rapidly changing composition of cases. One can, however, look at several indicators of effectiveness (see Figure 11). The volume of collections has grown sharply, especially for non-AFDC families, as the

15. For example, if two states each spend \$100 on a child support case, their share is \$34 each and the **federal** share is \$66 at the current federal **matching** rate of 66 percent. The state with the highest state matching rate in AFDC, equal to 50 percent, and the lowest incentive payment of 6 percent just covers its costs **if it** collects \$105 in child support for the \$100 spent; of the \$105 in collections, the state receives \$34 (50 percent of the collection after subtracting the \$50 passthrough to the mother, or \$28, plus an incentive payment equal to 6 percent of the collection, or \$6). The state with the lowest state matching rate, equal to about 20 percent, just covers its cost if it collects a much larger \$170 in child support; of the \$170 in collections, the state receives \$34 (20 percent of the collection after subtracting the \$50 passthrough, or \$24, plus a 6 percent incentive payment equal to \$10).

FIGURE 11. INDICATORS OF THE EFFECTIVENESS OF THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980–1993



SOURCE Congressional Budget Office calculations based on data from the Office of Child Support Enforcement

number of those cases has increased. The proportion of cases with collections, however, has changed little overall (see Figure 11, second panel). For non-AFDC cases the proportion has actually declined **from** a peak of 31 percent in the mid-1980s to 26 percent most recently. For AFDC cases, the proportion has remained low during most of the period but has risen slightly in the last few years. (Those data understate the proportion of cases with collections because they overestimate the number of active IV-D cases.) The percentage of AFDC and Foster Care payments that are recovered through child support collections has risen gradually, from 5 percent in fiscal year 1980 to 12 percent in 1993.

Another indicator, the ratio of collections to program expenditures, has risen since the mid-1980s (see Figure 11, third panel). In fiscal year 1993, collections numbered almost four times those of expenditures. Some of that increase is accounted for by the relative rise in non-AFDC cases, for which collection rates are higher.

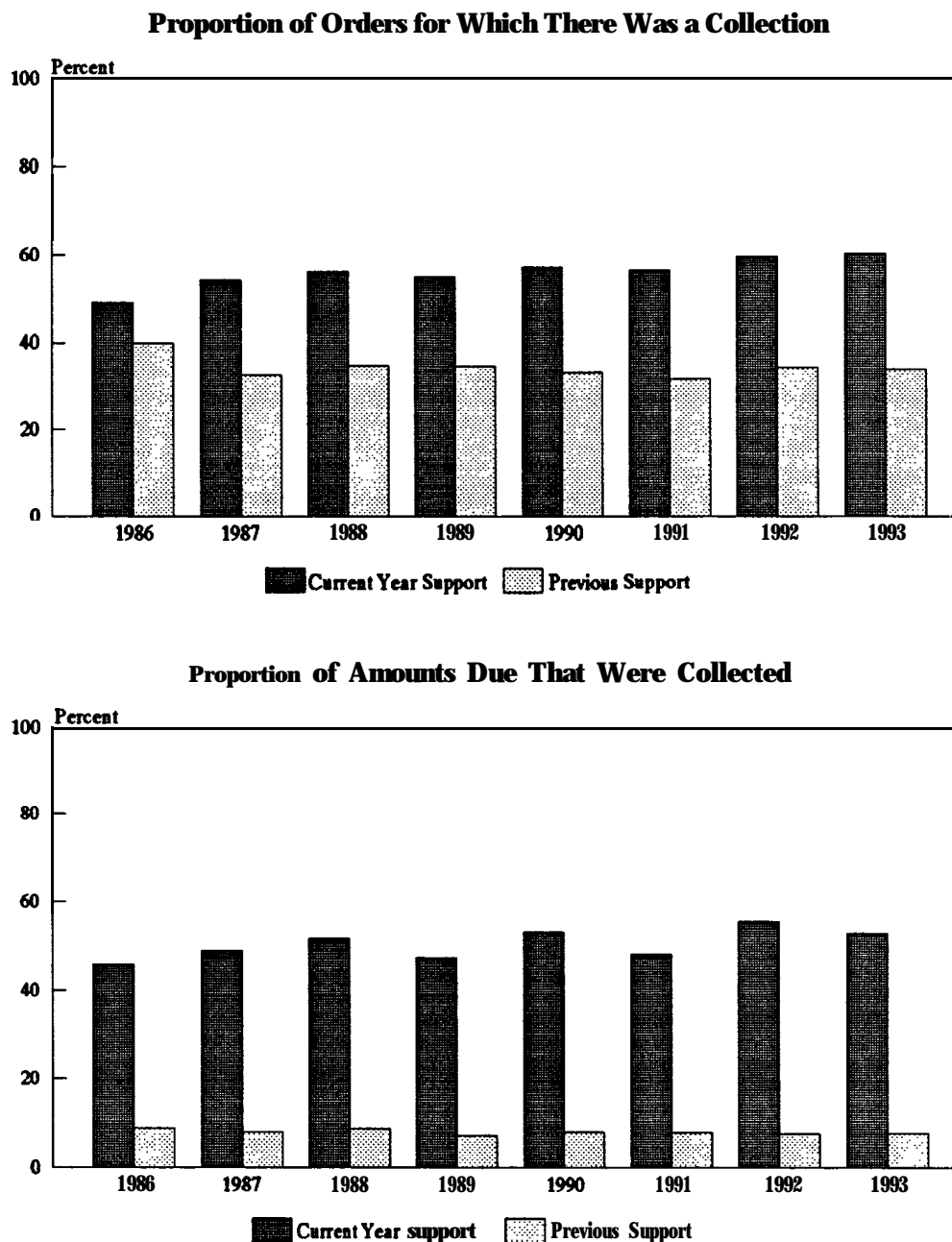
Since fiscal year 1986, data on accounts receivable have been reported, allowing calculation of the proportion of orders for which support for the current and previous years was collected, and the proportion of current and previous year amounts due that were collected (see Figure 12). Those data appear to show some modest improvement recently, although they fluctuate from year to year. Moreover, some states do not report and the number of nonreporting states has declined, making the data less than fully comparable. Those data clearly indicate that the program does a much better job of collecting current support payments than those in arrears, which is not surprising.

The child support system's inability to establish paternity and secure child support **awards for most** children born out of wedlock is one of its major failings--perhaps the major failing.¹⁶ The CSE program often has been criticized for its shortcomings in the area of paternity establishment, and it is there that recently enacted and **proposed** legislation has often focused.

Paternity has been established for what is probably only a minority of children **born** out of wedlock. In 1989, only one-quarter of mothers who had never married **had a child** support award for at least one of their children. The situation

16. Another serious failing of the child support system is the lack of enforcement for interstate cases. In fiscal year 1993, about one-third of all IV-D cases were estimated to be interstate cases, but only 8 percent of IV-D collections were made on behalf of other states. For more information, see Commission on **Interstate** Child Support, *Supporting Our Children: A Blueprint for Reform* (1992) and General Accounting Office, *Interstate Child Support: Mothers Report Receiving Less Support From Out-of-State Fathers* (January 1992).

FIGURE 12. COLLECTION RATES IN THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1986–1993



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

NOTE: Data are accounts receivable.

improved somewhat, however, during the 1980s (see Figure 13, top panel). Award rates for never-married mothers increased steadily, from only 14 percent in 1981 to 24 percent in 1989.¹⁷

The IV-D program has probably played an important role in that improvement. The number of paternities established in the program has grown steadily, as shown in the middle panel of the figure. Moreover, they have increased even relative to out-of-wedlock births, which grew sharply (see Figure 13, lower panel).¹⁸ Still, by 1992 the number of CSE paternity establishments numbered about 515,000 compared with more than 1.2 million out-of-wedlock births, a ratio of 42 percent. (Paternity can, of course, be established for older children as well as for newborns.)

Those statistics indicate very modest improvement in the effectiveness of the CSE program, but it is important to note that the number of cases served and the volume of services provided by the program have grown enormously. Moreover, the relative growth in the number of never-married mothers compared with the number of divorced and separated mothers has made the job of those agencies considerably more difficult.

Although the number of staff in CSE agencies has grown during the 1985-1993 period, it has not kept pace with the rising caseload. In fiscal year 1993, cases per full-time equivalent (FTE) staff numbered 382, compared with 357 in 1985. In seven states, the case-to-staff ratio in 1993 was greater than 500. Those high ratios have led to proposals setting minimal standards for staffing and no doubt figure in the proposed increases in the federal matching rate in some of last year's bills.

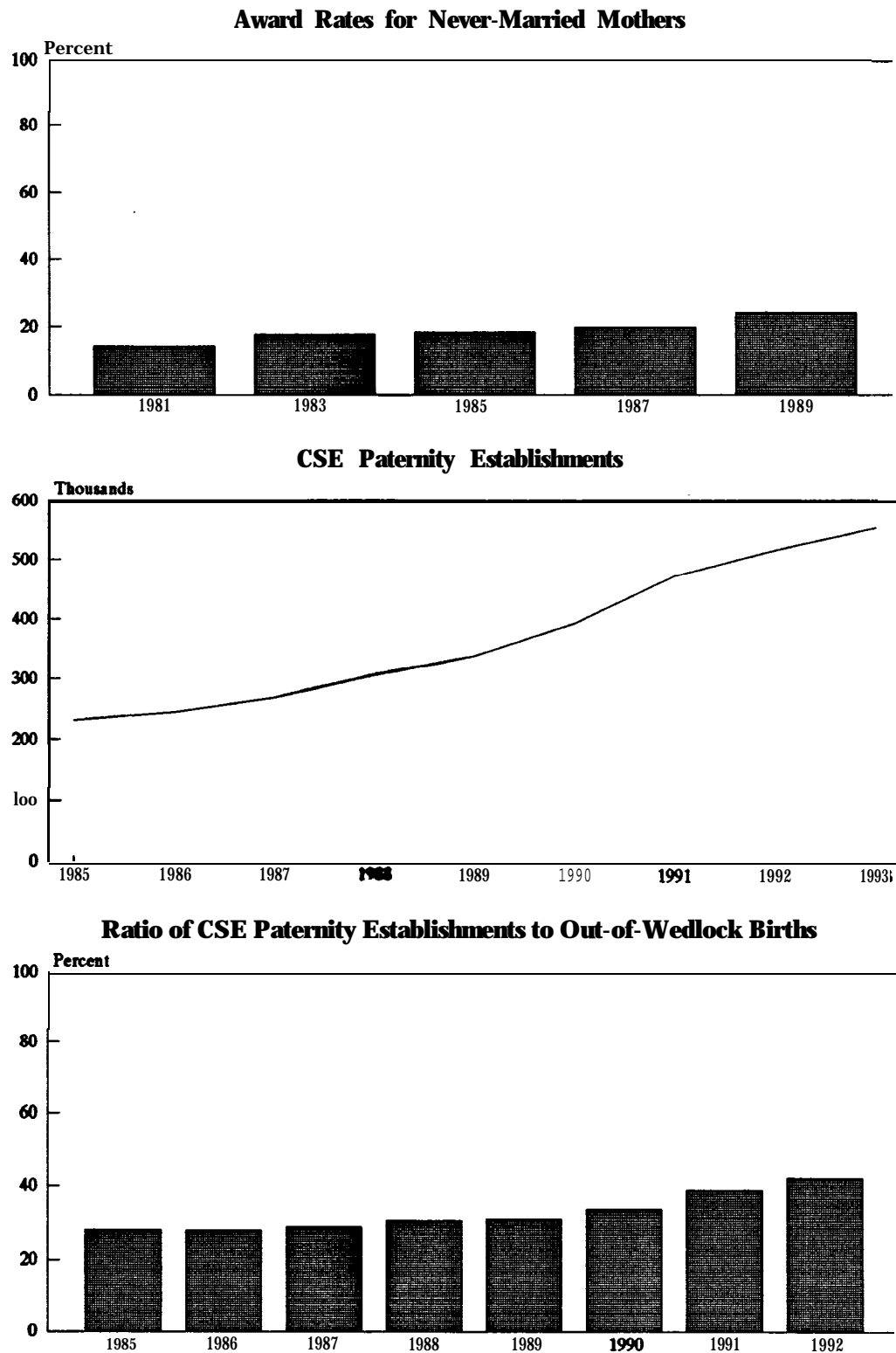
Program effectiveness varies widely among states. The ratio of collections to expenditures in fiscal year 1993 ranged from an average of two in the five "worst" states to an average of seven in the five "best" states (see Table 3). The percentage of cases that had collections averaged five to seven times as high in the five best states as in the five worst states, and the paternity establishment ratio ranged from 14 percent to 73 percent.¹⁹ That enormous variation indicates that CSE program

17. Some mothers do not want paternity established or child support awards from fathers; others do not know who the fathers are.

18. Data on the number of paternities established outside of the IV-D system are not available.

19. For more information on state variation in the CSE program, see House Committee on Ways and Means, Subcommittee on Human Resources, Child *Support Enforcement Report Card (1991)*.

FIGURE 13. OUTCOMES IN PATERNITY CASES



SOURCE: Congressional Budget Office calculations based on data from the Bureau of the Census, the National Center for Health Statistics, and the Office of Child Support Enforcement.

NOTE3 CSE stands for the Child Support Enforcement program.

Data on paternity establishments are for fiscal years. They are not available for the early 1980s.

TABLE 3. VARIATION IN THE EFFECTIVENESS OF THE CHILD SUPPORT
ENFORCEMENT PROGRAM AMONG STATES, FISCAL YEAR 1993

	"Best" Five States	"Worst" Five States	U.S. Average
Ratio of Collections to Expenditures	7	2	4
Percentage of Cases with Collections			
AFDC	33	5	12
Non-AFDC	52	11	26
Paternity Establishment Ratio	73	14	45

SOURCE: Congressional Budget **Office** calculations based on data **from** the **Office** of Child Support Enforcement.

NOTE: AFDC = Aid to Families **with Dependent** Children.

effectiveness could be considerably improved by simply bringing low-performing states up to the average.

CHAPTER III

THE CHILD SUPPORT ENVIRONMENT IN 1995: THE SETTING FOR FURTHER CHANGE

Any further legislative changes will build on a child **support** system and its outcomes that could be quite different **from** those existing in 1989, when data from the Bureau of the Census on child support were last available. Demographic changes continue, so that mothers who have never married constitute an ever-increasing proportion of the child support caseload. Past legislative changes--the Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 (**OBRA-93**)--**should** contribute significantly to improving the child support environment between 1989 and 1995. Those improvements will happen only gradually, however, as more of the acts' provisions are carried out and as a growing number of the child support cases--those with new or modified awards over the period--are **affected** by the provisions that had been put into effect previously.

As a starting point for **examining** proposed legislation, the Congressional Budget Office projected child support outcomes in 1995. CBO based these projections, first, on extrapolating trends in child support outcomes from the 1980s to the first half of the 1990s. Second, CBO estimated the effects in 1995 of the most important provisions of recent legislation: presumptive guidelines in setting awards, review and modification of past awards, immediate wage withholding, and requirements for the establishment of paternity.' Those projections were superimposed on 1989 child support outcomes as estimated by the Transfer Income Model, Version 2 (**TRIM2**), a microsimulation model developed and maintained by the Urban **Institute**.²

MOTHERS ELIGIBLE FOR CHILD SUPPORT

The number of mothers who have children eligible to receive child support from noncustodial fathers is projected to increase from 11.4 million in 1990 to 13 million

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1. Appendix B presents details of **CBO's** projection and estimating procedures.
 2. The model's estimates for 1989 differ somewhat from the March Current Population Survey-April Child Support Supplement (CPS-CSS) data shown in the figures in this paper. Appendix A describes the TRIM2 model and compares its estimates for 1989 with those of the CPS-CSS.

in 1996, a 14 percent rise over the six-year period (see Figure 14 and Table 4).³ (The estimates from the Bureau of the Census and TRIM2 show child support outcomes for 1989 or 1995 but a count of the number of eligible mothers for the following years, 1990 or 1996.) Currently divorced, married, and never-married mothers all share in that growth, but never-married mothers account for about three-quarters of the increase. By 1996, never-married mothers are expected to make up almost **one-third** of mothers eligible for child support, compared with one-quarter in 1990, indicating that establishing paternity could play an expanded role in the work of child support agencies.

Underlying those estimates of a growing child support caseload, which is increasingly influenced by mothers who have not married, are expectations for the number of divorces and births out of wedlock. Most recently (1992), births out of wedlock numbered 1.2 million and divorces also numbered 1.2 million. About **one-half** of the divorces involved children. Although the nation may see a decline in its divorce rate--from half of all marriages in the 1975-1980 period to around four in 10 as the 1990s unfold--the number of divorces is not likely to **drop**.⁴ As noted in the previous chapter, the number of married women between 15 and 24 years old--whose divorce rates are the highest--dropped sharply in the **1980s**, by more than 3 million; by contrast, in the first half of the **1990s**, the number is projected by the Bureau of the Census to decline by a much smaller **285,000**.⁵

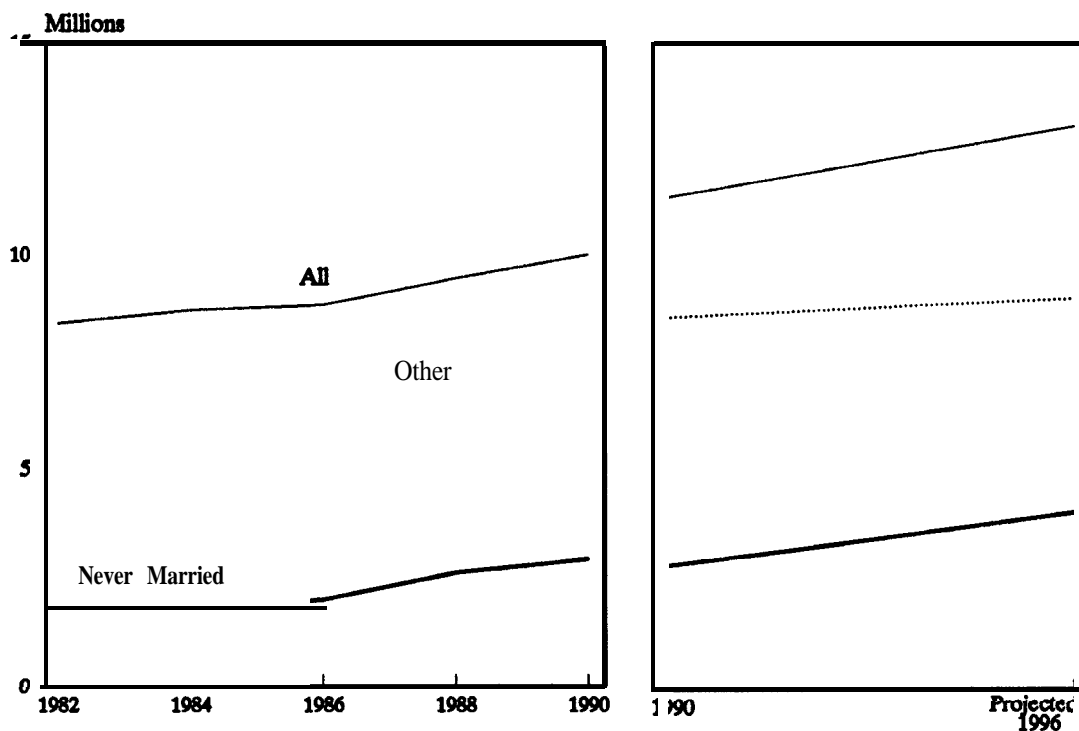
First births to unmarried mothers should continue to increase in the short run, perhaps at a faster rate than in the 1980s. As discussed earlier, most first children born to unmarried women are born to those 24 years old or younger, and those age cohorts are not decreasing as they had in the 1980s. In addition, marital rates show no sign of stopping their decline, putting more women at risk of having a child out

3. This TRIM2 estimate of 11.4 million eligible mothers and 18.8 million eligible children in 1990 is well above the CPS-CSS estimates of 10 million and 16 million, respectively. The CPS-CSS undercounts mothers and their children eligible for child support. The two major groups missing from the survey are mothers who are currently married but who had children by another man out of wedlock and mothers who have no children **from** the most recent divorce or separation but have children from an earlier divorce or separation.

4. Bureau of the Census, *Marriage, Divorce, and Remarriage in the 1990's*, Current Population Reports, **P23-180** (October 1992).

5. Bureau of the Census, *Population Projections of the United States, by Age, Sex, Race, and Hispanic Origin: 1993 to 2050*, Current Population Reports, **P25-1104** (November 1993).

FIGURE 14. PROJECTED NUMBER OF WOMEN ELIGIBLE FOR CHILD SUPPORT FROM NONCUSTODIAL FATHERS IN 1996



SOURCE: Congressional Budget Office calculations.

NOTE3 Data in the first panel are based on the Child Support Supplements of the Current Population Survey. The 1990 estimates in the second panel are from the TRIM2 model and include custodial mothers missing from the Current Population Survey counts. The 19% projections are from TRIM2 simulations, based on CBO projections and estimated legislative effects

Data from the Bureau of the Census provide information on child support outcomes for 1989 (and 1981 through 1987) but a count of mothers for 1990 (and 1982 through 1988). TRIh42 provides information on child support outcomes for 1989 and 1995 but a count of mothers for 1990 and 19%.

"Other" consists of divorced, separated, and currently married women.

TABLE 4. CHILD SUPPORT BY MARITAL STATUS, 1989 AND 1995

Marital status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child support Received ^c (In nominal dollars)	Average Child Support Received If Less Than Full Amount Due ^c (In nominal dollars)
Estimates for 1989							
Divorced	3,618	69	3,381	77	66	2,802	1,554
Separated	1,668	37	2,949	80	70	2,478	1,258
Married^d	3,250	56	2,978	77	65	2,491	1,512
Never Married	2,840	21	2,022	74	66	1,648	819
All	11,377	48	3,055	77	66	2,544	1,418
Projections for 1995							
Divorced	3,831	67	4,508	80	67	3,711	1,908
Separated	1,497	41	2,698	80	78	2,408	1,149
Married^d	3,624	62	3,014	81	70	2,601	1,582
Never Married	4,050	35	2,811	82	59	2,101	993
All	13,002	53	3,507	81	67	2,895	1,527
Change from 1989 to 1995 ^e							
Divorced	213	-1	1,127	3	1	909	354
Separated	-171	4	-251	1	8	-70	-109
Married^d	374	6	36	4	5	110	70
Never Married	1,210	14	789	8	-7	453	174
All	1,625	4	452	4	1	351	109

(continued)

TABLE 4. CONTINUED

SOURCE: Congressional Budget Office based on estimates from TRIM2 microsimulation model.

NOTE: **Estimates for 1989** ~~UC taken from the child support~~ module of the TRIM2 microsimulation model, based on the April 1990 Child Support Supplement of the **Current Population Survey and the March 1990 Current Population Survey**. Projections for 1995 are from TRIM2 simulations, based on **Congressional Budget Office projections and** estimated legislative effects for 1995.

- a. **Eligible women are those with children under 21 years old who are eligible for child support payments from** a noncustodial father. Estimates of the number of eligible women **are for 1990 and 1996, the years** following data on their child support outcomes.
 - b. Mothers who have awards of child support are only those eligible to receive child support payments in **1989 or 1995**.
 - c. Average amounts are per mother.
 - d. Married women are those currently married who have a child from a previous marriage or a birth out of wedlock.
 - e. Changes in outcomes shown as percentages are in percentage points.
-

of **wedlock**.⁶ Alternatively, increases in the birth rates of unmarried women may be leveling off.

CHILD SUPPORT AWARDS AND PAYMENTS

CBO's 1995 projections for the probabilities of receiving child support and for award and payment amounts indicate improvement in nearly every aspect of child support outcomes. Compared with the need for improvement, however, those expected changes can be characterized as modest (see Table 4 above).

CBO estimates that the proportion of eligible mothers who have awards will increase from 48 percent in 1989 to 53 percent in 1995 (see Figure 15). The increase is especially large for never-married mothers--from 21 percent to 35 percent, or a two-thirds rise--and reflects the effects of legislation to increase the establishment of paternity and a sizable trend **adjustment**.⁷ As a result, the projected gap between never-married mothers and other mothers in the proportion who have awards narrows considerably, although it remains quite large.

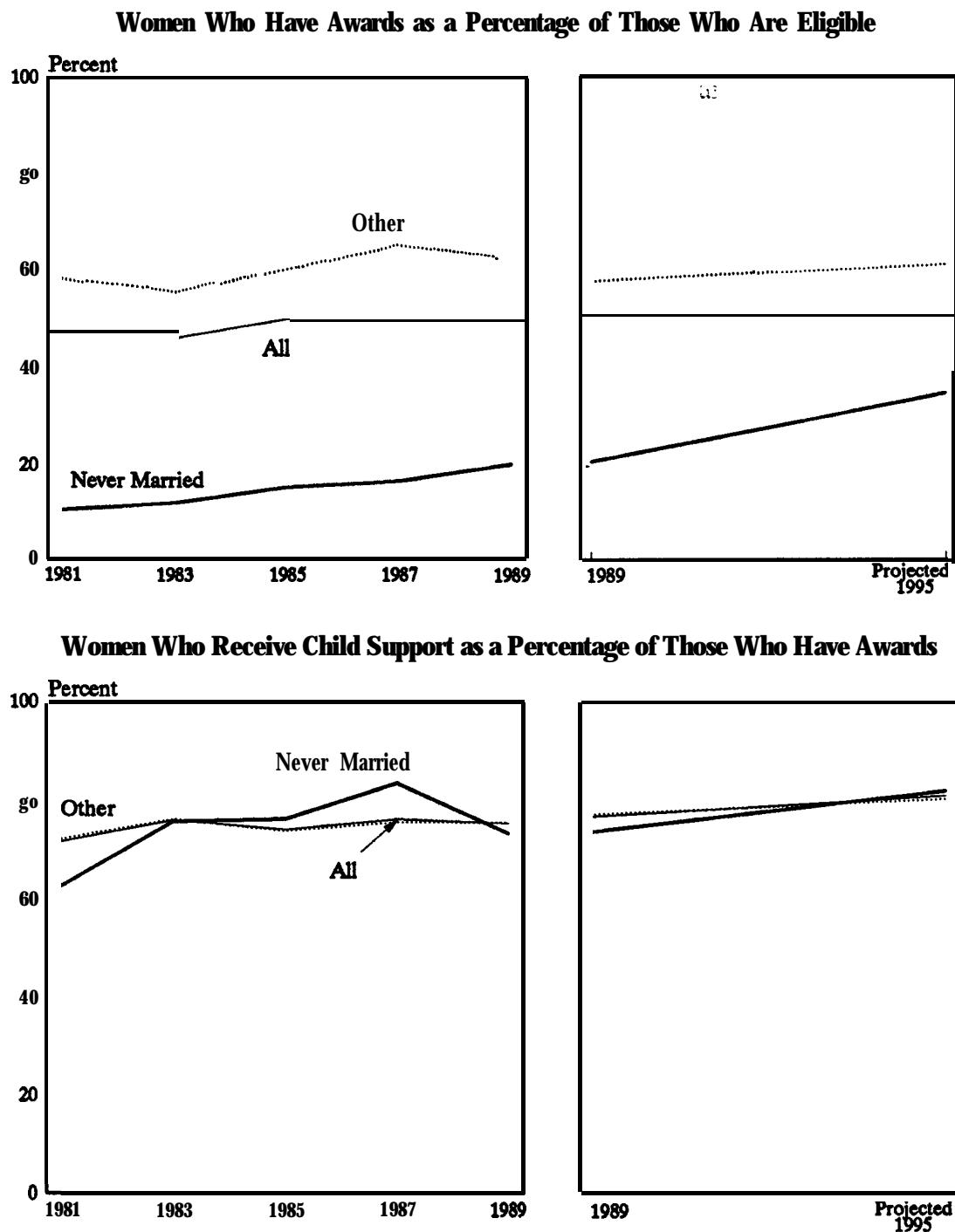
CBO projects that average award amounts per mother will increase by about \$450, or 15 percent, to slightly more than \$3,500 a year in 1995, although they decline by almost 2 percent after adjustment for inflation (see Figure 16). In nominal dollars, the percentage increase is largest for never-married mothers--some 39 percent--and reduces considerably the disparity between their award amounts and those of other mothers. In 1995, amounts awarded to never-married mothers are estimated to be 76 percent of those for other mothers, compared with 64 percent in 1989. Those projected increases in award amounts reflect the estimated effects of guidelines and review and modification as well as trend adjustments. Guidelines were estimated to raise award amounts for mothers with new or modified orders by 15 percent; the increase in award amounts from review and modification was estimated to be 60 percent but to affect only a tiny proportion of mothers, as discussed in more detail in the next section.

CBO projects that the proportion of mothers who receive some child support payment, among those who have awards, will increase modestly: from 77 percent in 1989 to 81 percent in 1995 (see Figure 15). That proportion for never-married

6. Bureau of the Census, *Marriage, Divorce, and Remarriage*.

7. Trend adjustment is the term used to refer to CBO's projected changes in child support based on an extrapolation of trends in child support during the 1980s.

FIGURE 15. PROJECIED PROPORTION OF WOMEN WHO HAVE AWARDS AND RECEIVE CHILD SUPPORT IN 1995



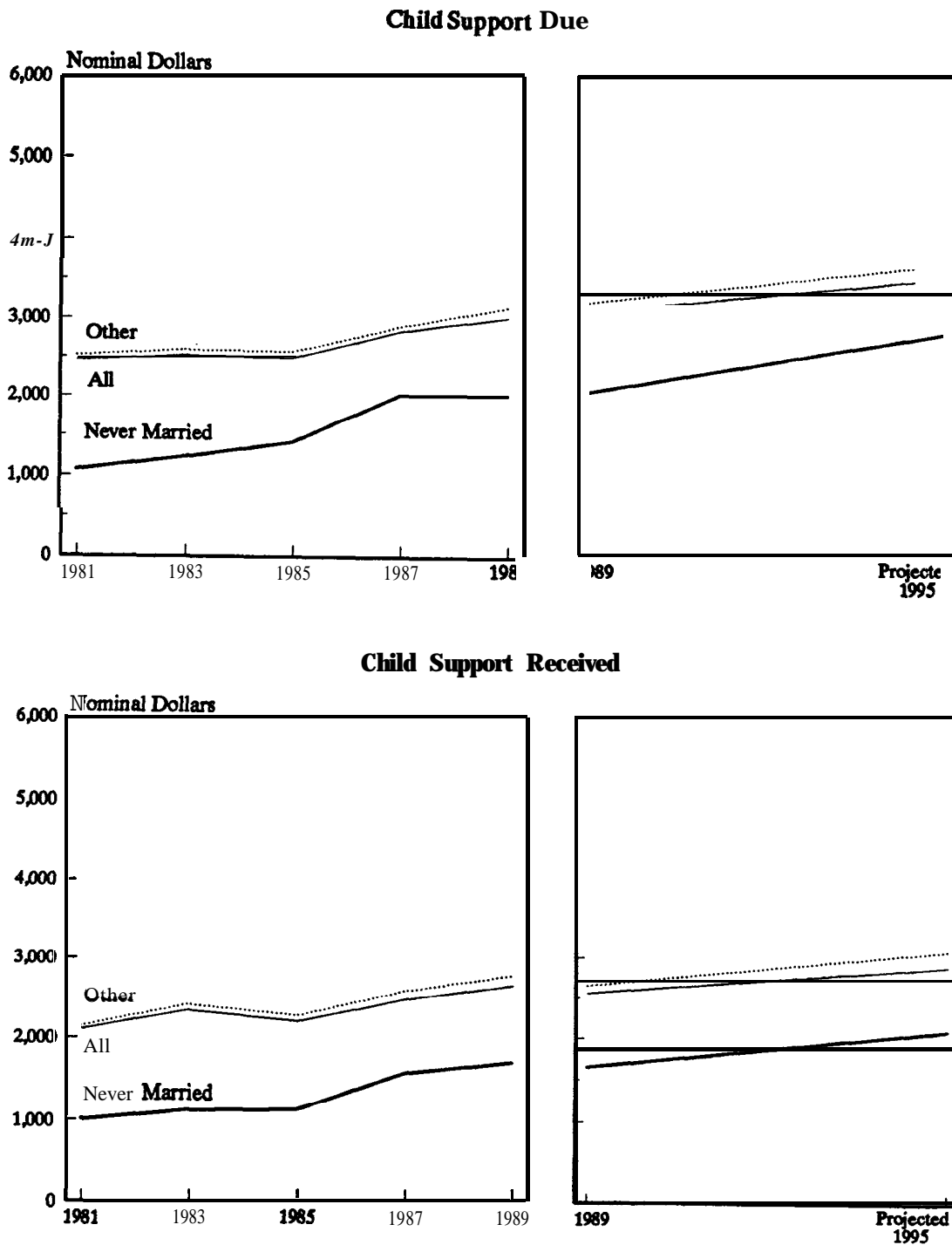
SOURCE Congressional Budget Office calculations.

NOTES: Data in the first panel are based on the Child Support Supplements of the Current Population Survey. The 1989 estimates in the second panel are from the TRIM2 model. The 1995 projections are from TRIM2 simulations, based on CBO projections and estimated legislative effects.

“Other” consists of divorced, separated, and currently married women.

Mothers who have awards of child support are only those eligible to receive payments.

FIGURE 16. PROJECTED AVERAGE AMOUNTS OF CHILD SUPPORT DUE AND RECEIVED IN 1995



SOURCE: Congressional Budget Office calculations.

NOTES: Data in the first panel are based on the Child Support Supplements of the Current Population Survey. The 1989 estimates in the second panel are from the TRIM2 model. The 1995 projections are from TRIM2 simulations, based on CBO projections and estimated legislative effects.

"Other" consists of divorced, separated, and currently married women.

Average annual amounts are per mother.

mothers would increase in relation to other mothers, so that by 1995 the projections show that all mothers, regardless of marital status, will have virtually the same probability of receiving a child support payment once they have an award. Legislation requiring immediate wage withholding for some mothers affects that outcome as well as trend adjustments. CBO estimates that mothers who are affected by the new law will be 8 percentage points more likely to receive some child support payment as a result of withholding.

Of those mothers who receive some **child** support payment, the proportion who receive the full amount due is projected to rise slightly from 1989 to 1995. The proportion for never-married mothers would actually shrink, however, reflecting a trend adjustment based on the decline in the proportion in the 1980s. Because that decline occurred early in the **1980s**, however, the adjustment is particularly uncertain and the proportion could remain unchanged or even increase. The probability of receiving the full amount due is affected by legislation requiring immediate wage withholding; CBO estimated that withholding would increase by 5 percentage points the proportion of mothers who receive the full amount due.

The average amount of child support received per mother is estimated to rise by about \$350, or 14 percent, to almost \$2,900 a year in 1995 (see Figure 16). **After** adjusting for inflation, however, **the average** amount of child support received drops by more than 2 percent. Because never-married mothers were given a relatively large increase, the disparity in payments based on marital status is expected to narrow somewhat in 1995. That change in average payments reflects changes in several other child support outcomes: **the** rise in award amounts, the slight increase in the proportion of mothers who receive **the** full amount they are due, and a rise in child support payments for mothers **who** receive only a partial payment—that is, a payment that is less than the full amount they were awarded.

For mothers who receive partial child support payments, the average payment amount is estimated to increase by about \$110, or 8 percent, to more than \$1,500 in 1995. That increase is lower than it might otherwise be because some mothers switch from receiving partial payments to receiving full payments. Immediate wage withholding also raises **those** payments, and CBO estimated the rise to be 10 percent for **the** group of mothers **affected** by withholding. After adjusting for inflation, however, partial payments decrease by almost 8 percent.

Those projections clearly imply enhanced well-being for many mothers who are eligible for child support. Some who were not receiving any child support payments would then receive them; others would receive higher payments than before, according to the projections. As a result, their incomes would rise and some would probably escape poverty. Nonetheless, for many of those mothers the

increased child support income will fall short of any rise in the cost of living, and for other mothers there will be no increase--even nominal--in their child support.

CBO's projections show sizable increases in the amounts of child support due and collected from 1989 to 1995 (see Table 5). The amount due is projected to increase by 43 percent, to \$24 billion in 1995; the amount collected would rise by 48 percent, to \$16 billion. The ratio of the amount collected to the amount due would rise slightly, to 67 percent in 1995.

RECENT LEGISLATIVE CHANGES

The Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 should contribute to significant improvements in the child support system during the first half of the 1990s and beyond. The Family Support Act made **wide**-ranging changes to the system, building on the child support legislation enacted in 1984. Although it was signed into law in October 1988, most of its major provisions were not carried out until the 1990s. **OBRA-93** focused more narrowly on improving the establishment of paternity, building on the changes enacted in 1988.

The Family Support Act set four major requirements for the states:

- Use of their award guidelines in the setting of most awards;
- Review and modification of past child support orders for IV-D cases, if appropriate, based on the guidelines;
- Immediate withholding of wages for child support orders issued or modified, and;
- Improvement of their **performance** in establishing paternity through various methods.

The act also required states to set up approved computerized tracking and monitoring systems by October 1, 1995. Those systems were funded at the existing 90 percent federal matching rate, which was then set to expire at the end of fiscal year 1995. Among its other changes were a requirement to inform people receiving Aid to Families with Dependent Children payments monthly (or in some

TABLE 5. PROJECTED CHANGE IN AMOUNTS OF CHILD SUPPORT
DUE **AND** COLLECTED, 1989 TO 1995

	1989	1995 (Projected)	Change'
Total Child Support Due (Billions of dollars)	1 6 . 8	24.0	7.2
Total Child Support Collected (Billions of dollars)	10.8	16.0	5.2
Percentage of Support Due That Is Collected	64	67	2^a

SOURCE: Congressional Budget Office based on estimates from TRIM2 microsimulation model.

NOTES: Estimates for 1995 are based on Congressional Budget Office projections and estimated legislative effects, which are then simulated in the TRIM2 model.

Amounts are in nominal dollars.

a Change in percentage **points**.

cases quarterly) of the amount of child support received on their behalf; improved data collection; establishment of a commission on interstate child support; and several demonstration projects, including some on child access or visitation and others on work and training programs for noncustodial parents.

Few studies exist about the effects and use of the four major requirements of the Family Support Act and the **OBRA-93** mandates. CBO used that limited information to develop the estimated effects of legislative changes on child support outcomes in 1995.

Guidelines

Until recently, judges and other officers of the court set the amounts of child support awards in contested cases at their discretion. As a result, awards varied greatly among families, often in ways unrelated to the resources of the parents or the needs of the children. To make award amounts less arbitrary, the Congress began to enact legislation in the mid-1980s that required states to develop and use guidelines in the setting of amounts due to the mother.

Recent Legislation. In the Child Support Enforcement Amendments of 1984, the Congress required states to develop guidelines by October 1987. Not until the Family Support Act was passed, however, were states required to use the guidelines, effective October 13, 1989, as rebuttable presumptions. Thus, the guidelines are presumed to provide the correct amount of child support to be awarded **unless** the record indicates that applying the guidelines would be inappropriate in a particular case. The **Family Support** Act also required that states review guidelines every four years, with the **first** review completed by October 1993.

Virtually all states have adopted one of three different approaches to developing **guidelines**, which are generally known as the income shares, percentage of obligor (legally obligated parent) income, and Delaware **Melson** models. The income **shares model**, used by almost two-thirds of the states, is based on calculations of a basic child support obligation, given the incomes of both parents. That basic obligation is generally, although sometimes loosely, derived from estimates of expenditures on children in intact families. The obligation is then divided between the parents in **proportion** to their relative incomes, and expenditures for extraordinary items like child or **health care** are added. The parent who has custody is presumed to meet his or **her** obligation in the course of caring for the child; the noncustodial parent pays his or her share as child support.

The approach based on a percentage of obligor income, used by about **one-quarter** of the states, is the simplest. Using that concept, the child support obligation

is based on a proportion of the noncustodial parent's income and the number of children. In some states, **the** proportion of income is flat--that is, independent of the parent's income; in others, the proportion falls or rises with income.

The Delaware **Melson** formula--used by four states--is more **complex**.⁸ It allocates the parents' incomes to allow first for self-support allowances, then for the basic support needs of the child, and finally for additional support for the child from any remaining income. As with the income-shares approach, it is assumed that the custodial parent will provide his or her share and the noncustodial parent's amount becomes the child support obligation.

Effects on Child Support. How have the guidelines affected awards? The answer varies among states for which studies are available. In Vermont, award amounts for newly divorced couples increased by an estimated 24 percent, based on a comparison of awards before and after guidelines were **used**.⁹ A study of three other states reported that award amounts in divorce cases increased by 5 percent in Colorado, 28 percent in Hawaii, and 16 percent in Illinois.¹⁰ Colorado's awards were significantly higher than in the other two states before guidelines were used--hence the smaller impact.

Use. To what extent are the guidelines being used? Deviations from the guidelines in setting awards appear to be substantial. Many states do not use the guidelines in cases in which incomes are very low or very high, or for other reasons unrelated to income. Based on a study of a number of states, the guidelines were used in 40 percent to 81 percent of the cases, depending on the **state**.¹¹ Where deviations existed, 67 percent to 88 percent involved downward adjustments. The reasons for deviations mentioned most frequently included: joint custody or visitation, support for other children, additional sources of income, second jobs, low incomes or reduced work hours, health care costs, and stipulated agreements.

8. Judge Elwood F. **Melson**, Jr. initially developed this formula, which has been used statewide in the Delaware Family Court since 1979.

9. Vermont Agency of Human Services, Planning Division, *In Support Of Our Children: A Survey of Child Support Orders and Divorced Parents in Vermont* (1989).

10. The Center for Policy Research, "The Impact of Child Support Guidelines: An Empirical Assessment of Three Models" (Denver, Colorado, 1989). The study notes that much of the increase in award amounts for Illinois resulted from higher employment among obligors rather than from the application of guidelines.

11. David Arnaudo, "Deviation from State Child Support Guidelines," in Margaret Campbell Haynes, ed., *Child Support Guidelines: The Next Generation* (Office of Child Support Enforcement, 1994).

Guidelines have clearly reduced differences in award amounts among families and increased their levels. Nonetheless, sizable differences in award amounts among families in different states continue because of wide disparities in **guidelines**.¹² In addition, guidelines in a handful of states fall short of providing the equivalent of what two-parent families spend on their children, and in most cases fall closer to the lower than the upper bound of estimated spending on **children**.¹³ Moreover, the inflation-adjusted value of the awards drops over time because few awards contain automatic cost-of-living adjustments. As a result, upward modifications of award amounts based on rising parental incomes are needed to prevent substantial erosion in purchasing power.

Review and Modification

In response to the erosion of award amounts as prices rise, the Congress enacted requirements for periodic review and modification of awards. Moreover, modifying award levels as the incomes of noncustodial parents increase enables children to share in rises of parents' living standards. Also, should the noncustodial parent's income fall, modification provides some protection to that parent and reduces the likelihood of child support delinquencies.

Recent Legislation. In the Family Support Act, the Congress required states to put into effect review and modification procedures in two steps for families who receive services from Child Support Enforcement agencies. Beginning in October 1990, at the request of either parent or of the CSE agency, each state must review and adjust orders, subject to requirements in the state's plan. Beginning in October 1993, the state must have placed in effect a process for periodic review and adjustment of orders at intervals of 36 months or less. Those reviews need not be done, however, if (a) the state determines that for AFDC families a review would not be in the best interests of the child and neither parent has requested a review, or (b) neither parent of a non-AFDC family has requested a **review**.¹⁴

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12. Maureen A. Pirog-Good, "Child Support Guidelines and the Economic Well-Being of Our Nation's Children" (Institute for Research on Poverty, Discussion Paper no. 997-93, Madison, Wisconsin, 1993).
 13. **Lewin/ICF**, "Estimates of Expenditures on Children and Child Support Guidelines" (Washington, D.C., 1990).
 14. Based on the regulations, for AFDC cases with awards more than three years old, the state was to have determined whether a review was to be conducted within 15 days of October 13, 1993. For **non-AFDC** cases, a one-time notice was to be sent to each parent subject to a child support order in the state. The state then had 180 days (or longer if the nonrequesting parent had to be located) to complete the review and adjust the order, if appropriate.

Effects on Child Support. The most reliable studies of the effects of modifications on award amounts come from a series of demonstration projects in five states. In Oregon, awards for modified cases increased by an average of 59 percent.¹⁵ Of those modifications, 81 percent were upward and 19 percent were downward. For the other four states--Colorado, Delaware, Florida, and Illinois--the average increase in award amounts resulting from modifications was 101 percent.¹⁶ Ninety-two percent of those modifications were upward and 5 percent were downward. In the Florida and Illinois demonstrations, however, policy prevented downward modification of any cases. Thus, increases for Florida and Illinois--144 percent and 97 percent, respectively--were too high to represent current law, which requires downward as well as upward modifications. For Colorado and Delaware alone, modifications resulted in an average increase of 64 percent, a rise similar to Oregon's.

The increases in award amounts as a result of modifications to cases in those states were larger for AFDC cases than for non-AFDC cases, particularly in Colorado and Delaware, where increases averaged about 75 percent for AFDC cases and 55 percent for non-AFDC cases. Since the mid-1980s, New Jersey has had a program that raises the awards of AFDC families when the CSE agency finds that the incomes of noncustodial parents have risen significantly, resulting in increases in average awards of 135 percent."

Not only will review and modification change award amounts, it may also alter compliance with the child support order to the extent that noncustodial parents would have to pay more or less child support. Evidence from the Oregon and four-state demonstrations is conflicting. The Oregon study found that compliance rates declined from 78 percent to 68 percent for noncustodial parents whose child support awards were increased; they rose from 37 percent to 48 percent for those whose awards decreased.¹⁸ In the four-state demonstration, compliance rates remained about the same, although that study looked at a shorter period following modification for some families than did the Oregon study.¹⁹

15. Policy Studies Inc., "Oregon Child Support **Updating** Project: Final Report" (Denver, Colorado, 1991).

16. Caliber Associates, "Evaluation of Child **Support** Review and Modification Demonstration Projects in Four States: Cross-Site Final Report" (1992).

17. New Jersey Child Support Enforcement Services, Administrative Office of the Courts, New Jersey *Child Support Guidelines: First Year Evaluation* (Trenton, New Jersey: Office of the Courts, 1987).

18. Robert G. Williams, "Implementation of the Child Support Provisions of the Family Support Act: Child Support Guidelines, Updating of Awards, and Routine Income Withholding" (paper presented at A Conference on Child Support and Child Well Being, **Airlie**, Virginia, 1991).

19. Caliber Associates, "Evaluation."

Use. The effects on award amounts were dramatic in cases for which awards were actually modified. Few cases were, however. In Oregon, only about 16 percent of all cases--22 percent of AFDC cases and 8 percent of non-AFDC cases--potentially eligible for review were **modified**.²⁰ In the other four states, about 13 percent (19 percent of AFDC cases and 10 percent of non-AFDC cases) were **modified**.²¹

Why were so few cases modified? In the four states--Colorado, Delaware, Florida, and Illinois--67 percent of all potential case reviews were closed before any review. In those states, the primary reasons for closing reviews of AFDC cases were: "inappropriate for review" (for example, no enforceable order **in the** state, the case had been closed, and so forth); "no authorization" or "no response"; "insufficient information" (for example, no information on the income of an obligor was available); and inability to locate the obligor or obligee. In non-AFDC cases, 45 percent of reviews were terminated because authorities failed to get a response to a review notice or lacked authorization for a review. Those non-AFDC families indicated a number of reasons that they would not authorize a review--namely, they did not want to go to court; they were not currently receiving child support payments; they were concerned that the award might be reduced; and they believed that the noncustodial parent was paying all that he or she could afford. In Oregon as well, few non-AFDC families--only **16** percent of those eligible--authorized a review.

Immediate Wage Withholding

Withholding child support payments **from** a noncustodial parent's wages is seen as one of the most effective means of **improving** compliance with child support orders. **As** noted earlier, only one-half **of women** awarded child support receive all of it that is due them over a year's time, and that proportion remained constant during the 1980s.

Recent Legislation. The Congress has taken several steps to require wage withholding in child support cases. In 1984, the Child Support Enforcement Amendments required states to impose wage withholding in IV-D (CSE) cases when payments in arrears amounted to one months child support. Withholding could be imposed earlier if desired by the state or requested by the noncustodial parent. That provision for delinquency withholding continues to apply to orders not subject to immediate wage withholding. In addition, the amendments directed that all child

20. Policy Studies Inc., "Oregon Updating Child Support Project." These estimates were adjusted on the basis of information **from** the Caliber Associates study of the disposition of pending cases after the second year of the Oregon project.

21. Caliber Associates, "Evaluation." These estimates were also raised to account for pending cases, on the basis of the Oregon numbers.

support orders issued or modified in a state were to include an order for wage withholding, thus permitting withholding without further action by the court or other agency. At state option, withholding could be applied to income other than earnings and could be immediate.

The Family Support Act then required immediate wage withholding for all IV-D orders issued or modified, beginning November 1990, unless the court found good cause not to or both parties agreed to an alternative arrangement in writing. Beginning January 1994, the act further required states to carry out immediate wage withholding for all child support orders issued, regardless of IV-D status, subject to the same exceptions as above.

Effects on Child Support. A number of analysts using econometric techniques have measured the effect of immediate wage withholding on child support payments. Their results differ greatly. Moreover, most of the studies are limited geographically and none are entirely persuasive. The most reliable results come from several studies that use data **from** a demonstration project in Wisconsin, in which families with and without immediate withholding could be identified directly.** Unfortunately, Wisconsin is not necessarily representative because its child support system is better than **many**.²³

In its projections to 1995, CBO used the most recent study based on the Wisconsin data to measure the effect of immediate withholding on child support payments.²⁴ The study compared cases in which a withholding order was issued at the time of the first child support award with all other cases, including those with delinquency withholding, thus approximating the effects of the Family Support Act requirements.²⁵ It measured effects on four separate child support variables,

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22. The Wisconsin demonstration included pilot counties that put immediate income withholding into effect and control counties that employed some income withholding after delinquency and increasing use of immediate withholding as the demonstration progressed. At the beginning of the demonstration, the pilot counties used immediate withholding in 57 percent of the cases and the control counties used it in 20 **percent**; by the end of the demonstration, the pilot counties were using immediate withholding in 65 percent of the cases and the control counties were using it in 53 percent. Thus, it is important that the dependent variable in any analysis be individual cases with or without immediate withholding, rather than county use or a related variant.
23. For example, on the basis of a **number** of child support indicators in fiscal year 1989, Wisconsin was ranked 16th among states. See House Committee on Ways and Means, Subcommittee on Human Resources, *Child Support Enforcement Report Card (1991)*, p. 14.
24. Findings **from** other studies are summarized in Appendix C.
25. Daniel R Meyer and Judi Bartfeld, "The Effects of the Immediate Withholding of Child Support on Collections Over Time" (Institute for Research on Poverty, Final Report for Wisconsin Department of **Health** and Social Services, Madison, Wisconsin, 1992). By using a withholding order issued at the time of the award as a measure of immediate withholding rather than a measure of continued

including the probability of a child support payment and the probability of full payment. The authors found that immediate withholding had a statistically significant effect on all of the dependent variables, but that the effect declined during the three years after the **award**.²⁶ By the third year after the award, the study's researchers estimated that immediate withholding increased the probability of any child support payment by 8 percentage points and the probability of full payment by 4 percentage points.

Use. In how many child support cases is immediate withholding likely to be used? Evidence in a few selected areas points to great variation in use, depending on such factors as the noncustodial parent's income type and the length of time since the withholding order.

A recent study based on the Wisconsin demonstration project found that immediate withholding was ordered at the time the award was established in 84 percent of paternity cases and in 82 percent of divorce **cases**.²⁷ Its use varied by the noncustodial parent's type of income (about 90 percent use for cases involving wage or salary income as compared with 40 percent for cases involving self-employment income) and by county even after controlling for county differences (ranging from use of less than two-thirds to 100 percent), among other factors.

Another study, which surveyed 30 local IV-D offices, corroborated the Wisconsin finding that it is more difficult to put withholding into effect when the noncustodial parent is self-employed or has **nonwage income**.²⁸ Among all of the child support offices surveyed--those with only delinquency withholding as well as those with immediate withholding--28 percent were never successful in initiating

withholding or withholding actually carried out, the study may understate the effects of immediate withholding.

26. The authors suggested two reasons that immediate wage withholding effects might change over time. First, they might increase if withholding kept noncustodial parents **from** becoming delinquent as time passed. Second, they might decrease if job turnover led to a loss of withholding, particularly if noncustodial parents changed jobs more frequently in order to avoid the withholding.
27. Daniel R. Meyer and Judi Bartfeld, "How Routine Is 'Routine' Withholding? Evidence from Wisconsin" (Institute for Research on Poverty, final report for **the** Wisconsin Department of **Health** and Social Services, Madison, Wisconsin 1992). These estimates probably overstate the use of immediate withholding because they measure use by the existence of a withholding order at the time the order was established. Some cases, however, may never have withholding actually implemented. In addition, interstate cases, for which withholding is more difficult, were excluded from the sample.
28. Anne R. Gordon, "Income Withholding, Medical Support, and Services to Non-AFDC Cases After **the** Child Support Enforcement Amendments of 1984" (**Mathematica** Policy **Research**, Inc., Princeton, New Jersey and Policy Studies Inc., Denver, Colorado, 1991). The study obtained data from 30 local IV-D offices in 11 states; 11 of those offices in four states were required by state law to use immediate withholding in 1989.

income withholding for self-employed noncustodial parents for whom it was required, and another 62 percent were successful in one-fifth or fewer of the cases. Most of the offices reported success in only one-fifth of the cases involving **nonwage** income.

Even for noncustodial parents **with** wage and salary income, income withholding is not easy. Employers as well as noncustodial parents must sometimes be located, and doing so is not always simple in the face of job **turnover**.²⁹ The **30-office** study reported that in jurisdictions that required immediate withholding, 88 percent of the cases included withholding in their order. But withholding had been attempted or was in place in the past year in only 65 percent of all cases. In 59 percent of cases withholding was actually imposed in the past year, and in 46 percent withholding was current.³⁰ Withholding rates in the past year increased from 59 percent to 79 percent for cases in which both wage records and IV-D case files indicated that the obligors were employed.

Withholding in any child support case can be expected to decline over time as a noncustodial parent loses a job, changes a job, or cannot be located. The evidence bears that presumption out. In about one-third of all cases in the **30-office** study, withholding periods ended in six months or less. In almost one-half of all cases, however, withholding periods lasted more than two years. In Oregon's demonstration of review and modification, discussed earlier, 45 percent of **income**-withholding actions were no longer in effect one year after they were started in conjunction with modifications of child support **orders**.³¹ In cases involving immediate withholding, however, the durations of the withholding actions should lengthen.

Paternity Establishment

Legislators and child support administrators have given a high priority to improving establishments of paternity. Not only has the IV-D system performed poorly in establishing paternitys, but many people believe that it is important for children to know, and be supported by, both parents. In recent years, the Congress has enacted

29. A number of states now require that employers report new hires and rehires to the child support agency. Such programs should make wage withholding more effective.

30. The **30-office** study also identified the reasons that withholding was not attempted or initiated. For cases subject to immediate withholding, the obligor was not found (12 percent of cases), the obligor was not employed (20 percent), the obligor was in jail (**5** percent), or the reason was indeterminate (58 percent).

31. Robert G. Williams, "Implementation."

a number of provisions boosting the establishment of paternity, including the setting of performance standards, expedited processes, and requiring that states use specific procedures.

Recent Legislation. In the Family Support Act, the Congress mandated that states meet a performance standard for fiscal years beginning on or after October 1, 1991.³² The standard is based on a paternity-establishment ratio--namely, the number of children in the state born out of wedlock (who receive AFDC benefits or IV-D services) for whom a paternity has been established divided by the total number of such children. The standard requires that a state's ratio (a) be at least 50 percent, (b) be equal at least to the average for all states, or (c) have increased by 3 percentage points from fiscal year 1988 to 1991, and by 3 percentage points each year thereafter. Because some states could not calculate the ratio reliably, the Office of Child Support Enforcement has not recently enforced the performance standards.

The act, and the final rules carrying out the act's provisions, also applied standards for the way in which programs operate to establish paternity. The agency must file for paternity establishment, complete service of process to establish paternity, or document unsuccessful attempts to serve process within 90 days of locating the alleged father.³³ Then the agency must establish paternity or exclude the alleged father as a result of genetic testing or legal process within a year of successful service of process or the child reaching six months of age, whichever is later.³⁴ The act also mandated that states require parents to furnish their Social Security numbers in conjunction with actions pertaining to birth certificates and require all parties to submit to genetic tests at the request of any party, effective November 1990 and November 1989, respectively. The federal matching rate for laboratory costs incurred in determining paternity was increased to 90 percent, beginning October 1988.

OBRA-93 tightened the performance standards, effective for fiscal years beginning October 1, 1994. The new standards require that the ratio of paternity establishment be at least 75 percent, or increase by 3 percentage points a year (beginning with fiscal year 1995 compared with 1994) for a state with a ratio between 50 percent and 75 percent, and increase incrementally by up to 6 percentage points a year for states with ratios below 40 percent. The act also directed states to

32. If a state fails to meet the performance standard, it can lose a portion of its federal AFDC funds, but only if it does not take corrective action.

33. Service of process signifies that the alleged father has had delivered to him, or left with him, the legal documents in question.

34. These standards would be superseded by new timeframes for expedited processes under proposed rules carrying out OBRA-93.

enact laws requiring the use of such procedures as a “simple” civil process for voluntarily acknowledging paternity (including an in-hospital program); voluntary acknowledgments as evidence of paternity; genetic testing results to create a rebuttable or, at state option, a conclusive presumption of paternity; and entering orders that establish paternity by **default**.³⁵ Further, states had to meet rules for “expedited processes” based on specified time frames for various paternity actions. That provision, and the procedure requirements, were effective October 1993, or later if states had to change their **laws**.³⁶

Effects on Child Support. There are no studies indicating the full effects of those legislative changes. The effects of requiring states to meet standards for establishing paternity, in particular, are not known. However, a few studies shed light on the impacts of various procedures that could improve the establishment of paternities.

Several studies of paternity establishments for unmarried fathers in hospitals are available. Only one, however, measures effects. In Denver, a demonstration of procedures encouraging voluntary acknowledgments of paternity in hospitals after the birth of a child found that the rate of acknowledgements increased from 22 percent to 35 percent in one hospital and from 12 percent to 24 percent in a second **hospital**.³⁷ A IV-D case was opened in only one-third of those establishments. Thus, most mothers had probably not pursued child support awards and also most likely a minority were AFDC mothers. In general, the largest increases in voluntary acknowledgments were among women over 20 years of age, who had worked during their pregnancy and who had at least a high school education.

In the state of Washington, which has had a paternity acknowledgment program operating in hospitals since 1989, more than 40 percent of fathers signed a paternity **affidavit** in hospitals in 1992.³⁸ Fewer than one-third of the affidavits were matched with IV-D cases, however. Early results from a new statewide program in

35. For example, if the alleged **father** fails to respond to a service of process, paternity may be established by default.

36. By regulation, m-hospital paternity establishment programs had to be statewide by January**1, 1995**.

37. Jessica Pearson and Nancy **Thoennes**, “The Denver Child Support Improvement Project: Paternity Establishment. Preliminary Results” (Center for Policy Research, Denver, Colorado, 1993). This study’s findings probably overstate the **final** impacts because some establishments would occur at a later date.

38. Washington Department of Social and Health Services, various memoranda on the Washington **in-hospital** program for paternity acknowledgment, January 1993 and earlier.

Massachusetts showed a 53 percent acknowledgement **rate**.³⁹ A program in West Virginia obtained paternity acknowledgments in 40 percent of births; 46 percent of those children for whom paternity was acknowledged were receiving AFDC or Medicaid. Another program in a single hospital in Kent County, Michigan, had an acknowledgment rate of 46 **percent**.⁴⁰

A voluntary acknowledgment does not necessarily end the process of establishing paternity, as shown by Washington state's tracking of IV-D cases following the in-hospital acknowledgment. For 80 percent of those cases, the state successfully served notices to the presumed fathers. When served, the fathers defaulted--that is, they acknowledged paternity or never contacted the CSE agency after receiving a notice of parental responsibility--in 78 percent of the cases, the CSE agency agreed to a settlement or a judge approved a consent order in 14 percent, and the fathers requested genetic testing to prove paternity in fewer than 3 percent. **One-half** of the remaining cases were still in process.

After establishing paternity, the next step is securing a child support award. Voluntary establishments of paternity in hospitals can **affect** the number of awards in two ways: by establishing more paternities and by speeding up the process of paternity establishment, thus increasing the probability of locating the father and securing an award. It took **only** two weeks to get the father's name on the birth certificate in the Denver demonstration, compared with more than five months for voluntary paternity acknowledgments under **predemonstration** procedures and with about two years for court-ordered establishments. In Washington the procedures were **also** speedy, taking a median of a little over three months to secure a final support order.

Other procedures designed to raise paternity establishments were tested in Cuyahoga County, Ohio and Douglas County, Nebraska but results were not particularly **encouraging**. Cuyahoga County conducted a demonstration to test selected **procedures** for expediting and streamlining paternity establishments, including **the increased** use of voluntary **acknowledgments**.⁴¹ The expedited procedures **increased** voluntary establishments by a statistically significant 5 percentage points **but** decreased contested establishments. As a result, total

39. **Jane C. Venohr and** Robert G. Williams, "Quarterly Report: Baseline Data and Program Results, October **18, 1994**" (Policy Studies Inc., Denver, Colorado, 1994).

40. **Barbara C. Cleveland and** Andrew M. Williams, *Paternity Establishment: State Innovations* (Office of Child Support Enforcement, 1992).

41. Charles F. Adams, Jr., David Landsbergen, and Larry Cobler, "Welfare Reform and Paternity Establishment: A Social Experiment," *Journal of Policy Analysis and Management*, vol. 11, no. 4 (1992), pp. 665-687.

establishments rose by about 4 percentage points--a statistically insignificant increase--from a level of only 15 percent. Those procedures also reduced considerably the time it took to secure establishment of paternity. It is interesting to note that the average age of the children for whom paternity was not established was over five years, perhaps helping to explain why so few paternities were established.

Douglas County, Nebraska evaluated a number of procedures, including using a specialized team of workers for establishing paternity, conducting educational seminars for unwed mothers, contacting the alleged fathers in person, taking action before the child's birth or at the time of application for AFDC, and using private process **servers**.⁴² Taken together, all of these procedures increased the rate of paternity establishment from 7.9 percent to 8.2 percent, a difference that was not statistically significant. Because of serious problems putting the program into effect in the first year, followed by greatly improved performance in the second year of the two-year demonstration, the true long-term effects of the procedures are difficult to assess.

Another study, based on econometric techniques, suggested that certain practices associated with establishing paternity, including several related to the mandates of **OBRA-93**, may have positive **results**.⁴³ Allowing fathers to agree to genetic tests without challenging the results (if a predetermined probability of paternity was indicated) was associated with an increase in the paternity establishment ratio of 20 percentage points. An increase of 37 percentage points in the ratio was associated with combining a multiple consent process with a "two-agency transfer process," in which the human services agencies handle uncontested cases and **transfer** only contested cases to legal agencies. A 10 percentage point rise in the ratio was associated with issuing a default judgment when a father failed to respond to his **first notice**, but that finding was not statistically **significant**.⁴⁴ Findings from this study are considerably larger than from the Ohio and Nebraska demonstrations. The specific procedures being evaluated differed and results from econometric studies are often uncertain.

42. **David A Price and** Victoria S. Williams, "Nebraska Paternity Project. Final Report" (Policy Studies Inc., Denver, Colorado, 1990). For legal and other reasons, the county had problems carrying out the **latter three of these procedures**.

43. **Freya L. Sonenstein,** Pamela A. Holcomb, and Kristin S. Seefeldt, "What Works Best in Improving Paternity Rates?," *Public Welfare* (Fall 1993), pp. 26-43. The 1990 National Survey of Paternity Establishment Procedures collected information that was representative of **counties in the contiguous United States**.

44. The **paternity** establishment ratio was measured as the number of paternities established in each county in fiscal year 1989 divided by the number of out-of-wedlock **births** in the county in calendar year 1988. Caution is required in using associations to indicate causality. Although use of those specified procedures might raise states' paternity establishment ratios, it is also possible that states with high ratios for a number of other reasons might coincidentally be using those procedures.

The establishment of paternity does not necessarily affect child support outcomes. Before that can happen, child support awards must be secured. The evidence indicates that awards are secured in a high proportion of the IV-D cases once paternity is established--probably around 80 percent. For example, in Wisconsin, 78 percent of never-married women with paternity established had awards and in Arizona (Mariposa and **Pima** counties), 80 percent had awards.⁴⁵ In the Nebraska demonstration, 90 percent of the mothers who had paternity established had support orders; when they did not have orders, it was usually because the father was in the household.⁴⁶

Effects on Child Support Collections

Based on its projections using the TRIM2 model, CBO estimated that the four important legislative changes--paternity establishment, guidelines, review and modification, and immediate wage withholding--taken together would increase the total amount of child support due in 1995 by \$2.5 billion, or just under 12 percent. The total amount of child support received was expected to increase by \$1.7 billion, or just over 12 percent. Those legislative effects will continue to increase beyond 1995 as the number of mothers with new or modified awards increases.

Three of the four legislative changes--paternity establishment, guidelines, and review and modification--directly affect awards, so that the large increase in award amounts is not surprising. Only immediate wage withholding affects child support receipts directly without first changing awards. As a result, the ratio of child support amounts received to amounts due was estimated to increase by only 1 percentage point.

The largest improvements in collections were estimated to come from legislation pertaining to guidelines and review and modification: a \$1.9 billion, or 9 percent, increase in amounts of child support due, which also raises child support received by 8 percent (see Table 6). Improvements in establishing paternity result in an estimated \$0.6 billion, or 3 percent, rise in award amounts, and to a smaller

45. Sandra K. Danziger and Ann Nichols-Casebolt, "Teen Parents and Child Support: Eligibility, Participation, and Payment," *Journal of Social Service Research*, vol. 11, no. 213 (1987/88) and Ann Nichols-Casebolt, "Who Has Paternity Established? An Analysis of Characteristics Related to the Successful Establishment of Paternity" (paper presented at the Association for Public Policy Analysis and Management conference, Denver, Colorado, October, 1992).

46. David A. Price and Victoria S. Williams, "Nebraska Paternity Project."

TABLE 6. ESTIMATED EFFECTS OF LEGISLATIVE CHANGES ON CHILD-SUPPORT AMOUNTS DUE AND COLLECTED, 1995 (In billions of dollars)

Legislative Change	Total Child Support Due	Total Child Support Collected
Paternity Establishment	0.6	0.4
Guidelines and Review and Modification	1.9	1.1
Immediate Wage Withholding	<u>0</u>	<u>0.2</u>
Total	2.5	1.7

SOURCE: Congressional Budget Office based on estimates from TRIM2 microsimulation model.

NOTES: Changes are based on Congressional Budget Office estimates of legislative effects, which are then simulated in the **TRIM2** model.

The effects for each legislative change depend on the ordering of the simulations, which was as shown in the table.

increase in child support **received**.⁴⁷ Immediate wage withholding has no effect on awards and was estimated to raise child support received by \$0.2 billion, or less than 2 percent.

47. The estimated increments in child support amounts for any single legislative change depend on the order in which the effects were simulated. For example, improving paternity establishment was simulated **first**, before award amounts were raised by guidelines and review and modification. Had its effects been simulated afterward, they would have been larger. Conversely, had the effects of guidelines and review and modification been simulated before improvements in establishing paternity, their estimated effects would have been smaller (see **Table 6**).

APPENDIX A

THE TRIM2 MODEL AND ITS SIMULATION OF CHILD SUPPORT

The simulations of the child support environment in 1995 were accomplished by the Transfer Income Model (**TRIM2**), developed and maintained by the Urban Institute. Over the past several years, funded by the Department of Health and Human Services and the Congressional Budget Office, the Urban Institute has added to TRIM2 a child support module and a module to simulate a child support assurance program. The TRIM2 model, and its child support modules, are based on the 1990 March Current Population Survey (CPS) of the Bureau of the Census, which gathers information for income year 1989. **TRIM2** uses data from the 1990 April Child Support Supplement to the CPS (CPS-CSS) to impute child support characteristics to the March CPS file.

THE CHILD SUPPORT MODULE'

The TRIM2 universe of mothers demographically eligible for child support is identical in concept to the April CPS-CSS universe: mothers with at least one child under the age of 21 who live **apart from** the child's father.² The CPS-CSS, however, undercounts the number of eligible mothers because it does not identify currently married mothers who had children by another man out of wedlock or any mother (married, divorced, or separated) who had children from an earlier divorce or separation but not from the latest one.

In TRIM2, all divorced, separated, and never-married mothers with a child under age 21 in the March CPS are considered to be demographically eligible for child support. The procedure for finding currently married mothers who are demographically eligible for child support is more difficult. TRIM2 identifies several groups of eligible married mothers, using both March CPS and April CPS-CSS information, as follows: (1) mothers who live in a family in which the husband reports having stepchildren on the March CPS; (2) mothers who report child support

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1. This description draws on information in Sandra Clark, "Using Microsimulation to Model Child Support Characteristics and Child Support Assumnce Programs" (**Urban Institute**, Washington, D.C., 1994).
 2. The CPS-CSS does not include information on custodial fathers or on people caring for children of other parents (for example, children in foster care).

income on the March CPS; and (3) other mothers identified as being demographically eligible for child support on the April CPS-CSS. Because those three sources do not provide enough currently married mothers who are demographically eligible for child support, TRIM2 randomly selects additional married mothers. Those married mothers selected randomly account for about 10 percent of all married mothers estimated by TRIM2 to be demographically eligible for child support (or about 3 percent of all eligible mothers). Through a complex set of steps, TRIM2 then determines which children in the family are demographically eligible for child support.

After identifying the demographically eligible universe of mothers, child support characteristics or outcomes are imputed to the mothers. Those imputations are based on five equations, with the following dependent variables:

- o The probability that a mother who is demographically eligible for child support is supposed to receive child support--that is, has an award;
- o The amount of child support due for those mothers who are supposed to receive child support;
- o The probability of receiving any child support for those mothers who are supposed to receive child support--that is, who have awards;
- o The probability of receiving the full amount due for those mothers who receive some child support; and
- o The amount of child support received for those mothers who receive less than the full amount due.

The equations were estimated **from** the April CPS-CSS data. Each included as explanatory variables: marital status, age, race, education, family income, eligibility for Aid to Families with Dependent Children, region of residence, metropolitan status, and the number of children eligible for child support. An individual mother's probability, as determined **from** the equations, is then compared to a random number between 0 and 1; if her probability exceeds the random number, TRIM2 identifies her as being supposed to receive child support, receive payments, or receive the full amount due. Different random numbers are used for the three determinations. The award and payment amounts are estimated using multiple regression.

TRIM2 can then simulate changes in child support outcomes by altering those predicted values. For example, CBO estimated that recent legislative changes

affecting paternity establishment would increase by 6 percentage points the probability that a never-married woman would have an award. That increase was applied directly to each never-married woman's probability before the change. Similarly, CBO estimated that the impacts of legislation relating to guidelines would raise award amounts by 15 percent; in that case, the predicted value was multiplied by 1.15. Because the equations operate sequentially, TRIM2 captures interactions among child support outcomes. For example, an increase in child support awards increases the number of mothers receiving child support and so on.

Because of the complexity of the model and the estimated changes for the 1995 update that CBO developed, the simulations of the 1995 environment were run only once. Greater reliability would have been achieved if the simulations had been run multiple times to generate a range of estimates.

COMPARING THE TRIM2 CHILD SUPPORT UNIVERSE AND CHARACTERISTICS WITH THE CPS-CSS

The major difference between the TRIM2 simulation and the April CPS-CSS estimates for 1989 is in the estimated number of mothers demographically eligible for child support, as shown in Table A-1. The overall TRIM2 number is higher by 1.4 million, or 14 percent. By using the March CPS as its data source, the TRIM2 model finds mothers missed by the April CPS-CSS: 28 percent more currently married mothers, 18 percent more divorced mothers, and 23 percent more separated mothers. Never-married mothers are fewer in TRIM2 than in the CPS-CSS; the CPS-CSS mistakenly identifies some grandmothers and other relatives as mothers.

Child support outcomes simulated by **TRIM2**, except for married mothers, are quite close to those in the CPS-CSS (see Table A-1). Overall, the proportion supposed to receive child support is 2 percentage points lower in **TRIM2**, the proportion who receive child support 2 percentage points higher, and the proportion who receive the full amount due 2 percentage points lower. Without the differences for married mothers, those changes would be 1 percentage point or less. The dollar amounts of awards and of partial child support receipts are higher in TRIM2 by 1 percent or less. The average amount of child support received is 5 percent lower, probably at least in part the result of their lower probability of receiving the full amount of the award.

TABLE A- 1. COMPARISON OF TRIM2 SIMULATION AND APRIL CURRENT POPULATION SURVEY-CHILD SUPPORT SUPPLEMENT ESTIMATES, 1989

Marital Status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child support Received ^c (In nominal dollars)	Average Child Support Received If Less Than Full Amount Due ^c (In nominal dollars)
April CPS-CSS							
Divorced	3,056	70	3,358	77	66	2,914	1,530
Separated	1,352	39	2,953	80	71	2,605	1,249
Married^d	2,531	67	2,964	72	71	2,715	1,499
Never Married	2,950	20	2,022	73	67	1,732	817
All	9,955	50	3,024	75	68	2,676	1,407
TRIM2							
Divorced	3,618	69	3,381	77	66	2,802	1,554
Separated	1,668	37	2,949	80	70	2,478	1,258
Married^d	3,250	56	2,978	77	65	2,491	1,512
Never Married	2,840	21	2,022	74	66	1,648	819
All	11,377	48	3,055	77	66	2,544	1,418
Difference^c							
Divorced	562	-1	23	0	0	-112	24
Separated	316	-2	-4	0	-1	-127	9
Married^d	719	-11	14	5	-6	-224	13
Never Married	-110	1	0	1	-1	-84	2
All	1,422	-2	31	2	-2	-132	11

(continued)

TABLE A- 1. CONTINUED

SOURCE: Congressional Budget Office calculations based on estimates from **TRIM2** microsimulation model and data from the April 1990 Current Population Survey-Child Support Supplement (CPS-CSS).

NOTE: The April CPS-CSS data for dollar amounts of awards and payments are before adjustment of amounts by the Bureau of the Census. See Appendix B for more information.

a Eligible women are those with children under 21 years old who are eligible for child support payments **from** a noncustodial father. Estimates of **the** number of eligible women are for 1990.

b. Mothers who have awards of child support are only those eligible to receive child support payments in 1989 or 1995.

c. Average amounts are per mother.

d. Married women are those currently married who have a child from a previous marriage or a birth out of wedlock.

e. Differences in outcomes shown as percentages are in percentage points.

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APPENDIX B

BASIS OF THE PROJECTIONS TO 1995

The starting point for the Congressional Budget Office (CBO) projections was the Transfer Income Model (**TRIM2**), which included estimates of child support variables for 1989, as discussed in Appendix A. With those 1989 estimates as a base, CBO projected 1995 child support variables in two steps. First, CBO projected changes from 1989 to 1995 in the number of mothers eligible for child support and child support outcomes, based on their past trends. Second, CBO estimated changes in the child support environment between 1989 and 1995 resulting from recent legislative changes, based on studies of their impacts. Those two projected sets of changes were then combined and applied to the TRIM2 model to simulate the 1995 child support environment.

ANALYZING THE CHANGES IN CHILD SUPPORT OUTCOMES

Table B-1 shows the projected changes in child support from 1989 to 1995 by the source of the change: changes in the number of eligible mothers, changes in child support outcomes **from** trend adjustments, and changes in child support outcomes from three groupings of legislation. Each of the panels in the table, and each legislative change within panel three, shows the incremental change in child support outcomes **from** the **preceding** panel. For example, in the third panel, the increase of 6 percentage **points in the** proportion of never-married mothers awarded child support is an **estimate** of the effect of legislation on paternity establishment alone and is in addition to **the** 8 percentage point increase in the second panel attributable to trend adjustments.

The number of mothers eligible to receive child support is expected to increase by 1.6 million, or 14 percent, **from** 1989 to 1995. As discussed earlier, most of the increase is for never-married mothers. More eligible mothers means more mothers who have awards, more who receive child support, and so on. The small changes in child support outcomes by marital status shown in the first panel of the table indicate that the simulations, accomplished with the TRIM2 model, **left** 1989 outcomes essentially unchanged. In other words, those newly eligible mothers were assigned child support outcomes basically identical to outcomes for eligible mothers

TABLE B-1. **PROJECTED** CHANGES IN CHILD SUPPORT, 1989 TO 1995, BY SOURCE OF CHANGE

Marital status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child support Received ^d (In nominal dollars)	Average Child Support Received If Less Than Full Amount Due ^c (In nominal dollars)
Changes from Trend Adjustment in Number of Eligible Women							
Divorced	213	f	f	f	f	f	f
Separated	-171	f	f	1	-1	f	f
Married ^e	374	f	f	f	f	f	f
Never Married	1,210	f	12	f	f	12	f
All	1,625	-2	-35	f	f	-29	f
Changes from Other Trend Adjustments							
Divorced	g	-1	803	2	1	635	233
Separated	g	4	-45 1	-2	8	-26 1	-183
Married ^e	g	6	-199	3	5	-79	-49
Never Married	g	8	517	7	-7	254	105
All	g	4	242	3	1	188	28

(continued)

TABLE B- 1. CONTINUED

Marital Status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child support Received ^d (In nominal dollars)	Average Child Support Received If Less Than Full Amount Due ^c (In nominal dollars)
Changes from Legislation							
Paternity Establishment							
Divorced	g	h	h	h	h	h	h
Separated	g	h	h	h	h	h	h
Married ^e	g	h	h	h	h	h	h
Never Married	g	6	-14	-1	f	-13	-9
All	g	2	-29	f	f	-31	-26
Guidelines and Review and Modification							
Divorced	g	g	325	f	f	251	86
Separated	g	g	200	f	f	177	48
Married ^e	g	g	235	f	f	177	77
Never Married	g	g	274	f	f	192	62
All	g	g	274	f	f	208	74
Immediate Wage Withholding							
Divorced	g	g	g	l	f	25	35
Separated	g	g	g	l	l	15	26
Married ^e	g	g	g	l	f	12	42
Never Married	g	g	g	l	f	8	16
All	g	g	g	1	f	15	33

(continued)

TABLE B- 1. CONTINUED

Marital status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child support Received ^d (In nominal dollars)	Average Child Support Received If Less Than Full Amount Due ^e (In nominal dollars)
Total Changes							
Divorced	213	-1	1,127	3	1	909	354
Separated	-171	4	-251	1	8	-70	-109
Married^e	374	6	36	4	5	110	70
Never Married	1,210	14	789	8	-7	453	174
All	1,625	4	452	4	1	351	109

SOURCE: Congressional Budget Office based on estimates from TRIM2 microsimulation model.

NOTES: Projections for 1995 are based on Congressional Budget Office projections and estimated legislative effects, which are then simulated in the TRIM2 model.

Changes in outcomes shown as percentages are in percentage points.

- a. Eligible women are those with children under 21 years old who are eligible for child support payments from a noncustodial father. Changes are for the years between 1990 and 1996.
- b. Mothers who have awards of child support are only those eligible to receive child support payments in 1989 or 1995.
- c. Average amounts are per mother.
- d. Average amounts are per mother. Average child support received was not projected separately; changes in those receipts resulted from changes in other child support outcomes.
- e. Married women are those currently married who have a child from a previous marriage or a birth out of wedlock.
- f. Change is less than 0.5 percentage points or \$3.
- g. The particular source of change has no effect on these outcomes.
- h. Paternity establishment only affects never-married mothers.

in 1989.' For all mothers taken together, however, average outcomes worsen because of the relative increase in the number of never-married mothers, whose outcomes are generally worse than for other mothers. For example, the proportion of all eligible mothers who have awards declines by 2 percentage points.

Projected changes in child support outcomes derived from extrapolating other trends of the 1980s, shown in the second panel of the table, are generally positive, except for award and payment dollar amounts for separated and married mothers. Never-married mothers show the largest increase in the proportion given child support awards and in the percentage increase in award amounts in nominal dollars, although not in the absolute dollar amounts. Reflecting those higher award amounts, never-married mothers have relatively large increases--of \$254 or around 15 percent--in average amounts of child support received. After adjusting for inflation, however, average child support received by never-married mothers declines by 1 percent. On average, all eligible mothers have projected increases of almost 1 percentage point to 4 percentage points in the proportions who have awards, receive child support, and receive the **full** amount due. Average amounts awarded and received are projected to increase by about 8 percent in nominal dollars but decline by about that much after adjusting for inflation.

The third panel shows the estimated effects of legislative changes. Legislation enacted in 1988 and in 1993 added requirements for establishing paternity. As a result, the proportion of never-married mothers who have child support awards is projected to **rise by** 6 percentage points. That increase, together with the nearly 8 percentage **point** trend increase, gives never-married mothers a sizable 14 percentage point increase in the proportion who have awards--from 21 percent in 1989 to 35 percent **in 1995**.

CBO estimates that legislation mandating the use of guidelines in setting awards and periodic review and modification for some families will increase average award amounts for all mothers with awards by \$274, or 8 percent. After adjusting for inflation, however, the increase actually becomes a drop of 7 percent. All mothers affected by the legislation, regardless of marital status, were assigned the same percentage increase. Mothers with new awards, however, have larger average increases. The higher award amounts prompt higher child support payments, as shown in the last two columns of the table.

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1. The newly eligible mothers could not be assigned more positive outcomes, consistent with improving trends, because the simulation simply increased the weights for all eligible mothers and thus could not distinguish the newly eligible mothers. In the projection of changes resulting **from** legislation, however, new mothers who have awards were assigned better child support outcomes.

Legislation requiring immediate wage withholding for some families is projected to increase the probability of child support payments and the amounts of those payments. The projected increases are small, however, indicating that few families have been affected by the legislation, as discussed below. For example, the proportion of those who actually receive child support, among those who are awarded it, is projected to increase by less than 1 percentage point. The average amount received is projected to increase by less than 1 percent.

EXTRAPOLATING TRENDS

In order to estimate increases in the number of mothers eligible to receive child support and changes in child support outcomes, CBO projected changes from 1989 to 1995, based on a simple extrapolation of trends in the variables during the 1980s. Measures of those trends were taken **from** the matched March-April child support supplements of the Current Population Survey (CPS-CSS), which were conducted every two years, **beginning** in 1979. For purposes of the projections, the 1982, 1984, 1986, 1988, and 1990 supplements (with child support data for 1981, 1983, 1985, 1987, and 1989) were used, providing four years of **changes**.² CBO's projections were based on averaging percentage changes over those years--or a subset of those years--separately for each marital status.

Those procedures were altered slightly for two of the child support outcomes. First, for award amounts, the percentage change from 1985 to 1987 was excluded from the average and the percentage change from 1987 to 1989 was based on data that had not been edited along one dimension by the Bureau of the Census. Award amounts reported by the Bureau of the Census jumped sharply from 1985 to 1987--about 15 percent when adjusted for inflation--after dropping in previous years. The cause of this jump is not entirely clear, but one possible explanation is that the data for the two years are inconsistent. In 1987 and 1989, the Bureau used an editing routine that raised the amounts of child support paid and awarded above those reported in the CPS-CSS. Child support received by families is reported on both the March and April CPS. In processing the 1988 CPS-CSS for income year 1987, the Bureau of the Census increased reported amounts of child support received on the April supplement to equal amounts reported in March if March was higher (and positive amounts were reported by mothers in both months). Award amounts were increased correspondingly. That same adjustment was made in the 1990 CPS-CSS

2. The results from the 1992 survey are expected to be released in the spring of 1995.

for income year 1989. Staff at the bureau believe that those procedures were also used in 1985 and earlier years but cannot document them.

In an attempt to settle this uncertainty, CBO compared the March and April amounts for respondents in 1987, when the edit was definitely made, and in 1985, when it might, or might not, have been made using a sample of mothers. Fewer than 5 percent of mothers were found with March amounts greater than April amounts in 1987, compared with 33 percent in 1985, perhaps indicating that the edit was not made in 1985. (March amounts can be higher than April amounts after the edit because March child support was reported together with alimony and other miscellaneous payments and contributions, which are received by few families.)³ Based on the evidence, CBO excluded the change from 1985 to 1987 in its extrapolation.

Second, for the last in the string of child support outcomes--the amount of child support payments for those who receive less than the full amount due--no projection was made.⁴ Ignoring the change **from** 1985 to 1987, for the reason just discussed, left only two observed changes. Those percentage changes were erratic among marital statuses, with several very large increases and one moderate decrease. For that reason, CBO did not project that variable. Its value did increase indirectly in the simulation of **1995--by** an average of \$28 or 2 percent for all such mothers--because of projected increases in award amounts and in other child support outcomes. Nonetheless, by not directly projecting increases in that variable, which rose an average of 5 percent every two years for all such mothers, CBO underestimated its true increase for the one-third of mothers who had a child support payment but received a partial amount.

Some of the improvement in child support outcomes during the last part of the 1980s may have been caused by the adoption of presumptive guidelines and immediate wage withholding by some states before they were required under federal law. In order not to count the effects of those legislative changes twice, any such estimated effects in 1989 on child support outcomes were removed from the trends. **CBO's** adjustment for guidelines reduced by 4 percentage points the percentage increase in award amounts in 1989, which ranged from zero to almost 11 percent

3. For a more detailed discussion of this problem, see Daniel R. Meyer, "Data Adjustments in the Child Support Supplement of the Current Population Survey" (Institute for Research on Poverty, Discussion Paper No. 976-92, Madison, Wisconsin, 1992).

4. The TRIM2 model does not simulate the average amount of child support received directly. It is simulated indirectly through the probability of receiving the **full** amount due, the award amount for those receiving the **full** amount due, and the amount of child support received for those who receive less than the full amount due.

depending on marital status; no adjustment was made for wage withholding because its estimated effect was minuscule.

The resulting projected trends are shown in Table B-2. TRIM2 took these projections as its targets in the 1995 simulations and hit them reasonably well. When changes were fairly sizable, the error was usually within 10 percent. When the projected changes were very small--for example, from wage withholding--the percentage error could be very large, but the effects on the 1995 outcomes were nonetheless quite small.

ADJUSTING FOR LEGISLATIVE CHANGES

The specific legislative changes enacted in the Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 that CBO projected to 1995 are requirements to improve the establishment of paternity, mandatory use of guidelines in the setting of child support awards, periodic review and modification of past awards, and the withholding of child support from wages immediately upon issuance or modification of the award. Except for paternity establishment, CBO based its projections on various published studies of the legislations' effects.

Table B-3 summarizes the estimated impacts of the four legislative changes on child support outcomes between 1989 and 1995. For all legislation except paternity establishment, overall impacts were estimated as the product of two variables: the proportion of mothers who are affected and the effect on child support outcomes for the **average** mother affected by the legislation. Those estimates were not made **independently** by marital status.

In **estimating** the first variable--the proportion of mothers who are affected--three **general factors were** usually applicable. First, only a subset of all mothers eligible **for child support are** potentially affected. The legislative provisions sometimes apply only to mothers in the IV-D system--a proportion estimated to be **55 percent--rather** than to all mothers eligible for child support. In addition, the provisions on guidelines and immediate wage withholding apply only to those mothers with new and modified awards during the **1989-** 1995 period and review and modification **applies only** to those mothers with awards more than three years old. The number of potentially affected mothers also depends on the date each provision was placed in effect. As the number of these potentially affected mothers grows over time, the legislative impacts will continue to increase beyond 1995.

TABLE B-2. PROJECTIONS OF CHANGES IN CHILD SUPPORT BASED ON TREND ADJUSTMENTS, 1989 TO 1995

Marital Status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amount ³ (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child Support Received If Less Than Full Amount Due ^c (In nominal dollars)
Divorced	5.8	-1.2	23.6	2.4	0.9	e
Separated	-9.0	4.2	-14.4	-0.6	4.5	e
Married^d	11.5	5.7	-6.5	3.9	5.7	e
Never Married	45.4	7.5	27.5	7.8	-9.6	e

SOURCE: Congressional Budget Office.

NOTES: Projections were based on extrapolations of the two-year growth rates in the number of eligible women and child support outcomes as measured in the April Child Support Supplements of the Current Population Surveys for 1982, 1984, 1986, 1988, and 1990. Those surveys are available every other year.

Projections were developed for each marital status. Thus, a projection for all women was not made, and the resulting changes for all women reflect the changes for each marital status.

- a Eligible women are those with children under 21 years old who are eligible for child support payments from a noncustodial father. Estimates of the number of eligible women are for 1990 and 1996, the years following data on their child support outcomes.
- b. Mothers who have awards of child support are only those eligible to receive child support payments in 1989 or 1995.
- c. Average amounts are per mother.
- d. Married women are those currently married who have a child from a previous marriage or a birth out of wedlock.
- e. This variable was not projected separately, as discussed in the text.

TABLE B-3. PROJECTIONS OF CHANGES IN CHILD SUPPORT BASED ON LEGISLATIVE CHANGES, 1989 TO 1995

Legislative Change	Women Who Have Awards as a Percentage of Those Who Are Eligible ^a	Average Award Amounts	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment	Average Child Support Received If Less Than Full Amount Due (In nominal dollars)
Paternity Establishment	All never-married mothers get 6 percentage-point increase	n.a.	n.a.	n.a.	n.a.
Guidelines	n.a.	All mothers with new awards get 15 percent increase ^b	n.a.	n.a.	n.a.
	n.a.	38 percent of other mothers with awards get 15 percent increase	n.a.	n.a.	n.a.
Review and Modification	n.a.	4 percent of mothers with awards get 60 percent increase	n.a.	n.a.	n.a.
Immediate Wage Withholding ^c	n.a.	n.a.	11 percent of mothers with awards get 8 percentage-point increase	7 percent Of mothers with awards get 5 percentage-point increase	7 percent Of mothers with awards get 10 percent increase

(continued)

TABLE B-3. CONTINUED

SOURCE: Congressional Budget Office.

NOTES: Percentage changes in award and payment amounts are in nominal dollars.

n.a. = not applicable.

- a. Mothers who have awards of child support are only those eligible to receive child support payments in 1989 or 1995.
 - b. Mothers with new awards assigned in TRIM2 are those **from** the trend adjustment increasing the number of mothers who have awards and from the effect of paternity establishment.
 - c. Because immediate wage withholding applies to mothers with new or modified awards, those mothers affected by withholding were assumed to be a subset of those affected by guidelines or review and modification.
-

The second factor is an adjustment for the fact that the 1989 base data may already reflect those legislative changes for some mothers. CBO reduced the estimated impacts of legislative changes to exclude those mothers from any additional effects. Their number depends on the extent to which states had carried out the enacted provisions before the law required it.

The third factor indicates how much mothers, after the first two adjustments, are actually affected. For example, of those mothers eligible for review and modification, how many actually have their awards modified? The answer depends on the legislative requirements, how they are being applied by the states, and the characteristics of the custodial and noncustodial parents and of the child support program in each jurisdiction. Those three factors were estimated from a variety of sources for each of the legislative changes.

The second variable—the effect each legislative change has on child support outcomes for the average mother **affected** by the change—was estimated from published studies. As discussed below, however, the impact of increased establishment of paternity was estimated using a different method.

Paternity Establishment

It is more difficult to estimate the effects of legislative changes in paternity establishment than it is to **assess** the effects of the other legislation because there are no studies that examine the full range of legislative changes. Rising numbers of paternity establishments in the IV-D system, however, provide another window **from** which to view the earlier legislation's effects, although it is too soon to see any impact from OBRA-93 reflected in the numbers.

Paternities established in the IV-D program have grown rapidly, from 230,000 in 1985 to just over 550,000 in 1993. Establishments have increased by an average of 12 percent a year since 1986, but the increases have been erratic. Growth accelerated in 1990 and 1991, but declined sharply thereafter, probably reflecting both a **dropoff** in the growth of AFDC cases as the **1990-1991** recession ended and the decision by the Office of Child Support Enforcement to refrain from enforcing the performance standards. During the **1990-1993** period, when most of the Family Support Act changes were taking effect, IV-D establishments increased by more than 13 percent a year, compared with average annual increases of less than 10 percent during the 1986-1988 period. That accelerated growth of about 3 percentage points is one crude measure of the effects of the Family Support Act changes, and the one

CBO used.⁵ To that measure, CBO added an additional effect for in-hospital establishment of paternity.

That 3 percentage point effect, attributed to the Family Support Act's changes in paternity establishment, represents 25 percent of the total growth in IV-D paternity establishments projected during the 1990-1995 period, or approximately 285,000 establishments. That number was reduced by 10 percent to allow for some of them to be for children in the same family. Some 80 percent of the establishments were estimated to result in awards, leaving an estimated increase of 205,000 never-married mothers in the IV-D system who acquire awards in the 1989-1995 period. In addition, CBO estimated that in-hospital paternity establishments add 55,000 **never-married** mothers with awards outside of the IV-D system, based on the Denver demonstration (see Chapter 3).

The total addition of never-married mothers who will have awards of child support in 1995 is then 260,000. Adding these never-married mothers to those who already have awards in 1995 yields a new probability of 27 percent, compared with a probability of 21 percent before these mothers are added. That increase of 6 percentage points is **CBO's** estimate of the effect of legislation to establish paternity.

Guidelines

Guidelines affect all mothers with new awards, not just those in the IV-D system. (Mothers with modified awards are also affected but they are treated under review and modification.) Of mothers who have awards, the proportion who secure new ones between 1989 and 1995 was estimated to be 55 percent. The ratio is based on data from the CPS-CSS on the proportion of mothers with awards whose first award was secured during the last six years. By some reports, about 14 states were using presumptive guidelines as of January 1988, before they were mandated by the Family Support Act.⁶ Based in part on that statistic, CBO estimated that 20 percent of mothers who had awards in 1989 had ones that already reflected the effect of guidelines. The estimated impact of guidelines on the average mother affected--the second variable--was already reduced because guidelines were not applied to all

5. One possible reason for the erratic growth in IV-D paternity establishments is that the number of **out-of-wedlock births** changed. If births jump sharply, for example, paternity establishments should also rise rapidly. The ratio of IV-D paternity establishments to out-of-wedlock births, however, also increased more rapidly in 1990 and 1991, compared with the years before and after. That shift supports the possibility that the larger increase during those years reflected the legislative changes.

6. Policy Studies Inc., "Literature Review and Analysis of Issues: Child Support Enforcement Amendments of 1984" (Denver, Colorado, 1988) and Advisory Panel on Child Support Guidelines and Robert G. Williams, "Development of Guidelines for Child Support Orders: Advisory Panel Recommendations and Final Report" (National Center for State Courts, Williamsburg, Virginia, 1987).

eligible mothers; thus, CBO made no further adjustment to the first variable. In other words, the third general factor discussed earlier was one. The resulting CBO estimate was that 45 percent of mothers who have awards will be affected by guidelines in 1995--that is, all mothers assigned new awards in the TRIM2 simulation and 38 percent of other mothers estimated to have new awards.⁷

The estimated effect of guidelines was based on findings for the states of Colorado, Hawaii, and Vermont, where the weighted average effect was just under 18 percent, and on the effect in Arizona of 12 percent to 15 percent (see Chapter 3 for more detail).⁸ Thus, CBO used an estimated effect of 15 percent.

Review and Modification

By 1995, all TV-D mothers who have had their awards for more than three years will be eligible for a modification of their awards. The proportion of mothers for whom the most recent award is older than three years was estimated to be 60 percent.⁹ Because there are reports that some states have been slow in carrying out reviews, CBO assumed that only 75 percent of those mothers will actually have their awards reviewed. The evidence seems to indicate that few voluntary modifications were taking place in 1989, and any effect of modifications in 1989 was thus assumed to be zero. Finally, CBO estimated that 15 percent of mothers eligible for review actually have their awards modified (see Chapter 3). As a result, only 4 percent of mothers with awards were estimated to be **affected** by review and modification in 1995.¹⁰

CBO's estimate of a 60 percent increase in award amounts as a result of review and modification was based on the demonstration results for Colorado, Delaware, and Oregon. As reported in Chapter 3, the average effect for Colorado and Delaware was 64 percent and for Oregon 59 percent.

7. The estimate was derived as $.55 \times (1 - .2) = .45$. Because of the uncertainty associated with those and the following estimates, they were usually rounded. The mothers assigned new awards in TRIM2 were those with paternity established and awards secured as a result of recent legislation and those with new awards (supposed to receive child support) from the trend adjustment.

8. Illinois was not included because of the effect of employment changes on the estimate, as noted earlier.

9. Estimate from Anne R. Gordon, "Income Withholding, Medical Support, and Services to Non-AFDC Cases After the Child Support Enforcement Amendments of 1984" (Mathematica Policy Research, Inc., Princeton, New Jersey and Policy Studies, Inc., Denver, Colorado, 1991).

10. The estimate was derived as $.55 \times .6 \times .75 \times .15 = .04$, where .55 equals the proportion of mothers who are in the IV-D program.

Immediate Wage Withholding

Immediate wage withholding potentially affects mothers in the IV-D system who have secured new awards or had them modified since late 1990, as well as other mothers whose awards were issued in 1994 and 1995. CBO estimated that the first group makes up about 35 percent of 1995 child support mothers who have awards and the second group makes up about 10 percent, representing a total of 45 percent. Some states were using immediate 'wage withholding for IV-D cases in 1989 before it was mandated by the Family Support Act and others were using delinquency withholding. About 25 percent of IV-D cases were estimated to already be subject to income withholding in 1989, but none of the non-IV-D cases were. Thus, on average, 20 percent of the mothers were already affected. Finally, CBO estimated that two-thirds of the mothers **remaining after** the first two adjustments actually have immediate income withholding imposed. As discussed in Chapter 3, data **from** Wisconsin through 1989 showed that immediate withholding was ordered at the time the award was established in about 83 percent of the cases. The **30-office** study found, however, actual use in jurisdictions with immediate withholding to be only 59 percent for IV-D cases with new orders. Thus, about 25 percent of mothers with awards in **1995** were estimated to be affected by immediate wage withholding.¹¹

By contrast with the first two legislative changes, which affect only one child support outcome directly, wage withholding affects three outcomes: the probability of receiving any child support, the probability of receiving the full amount due, and the amount of child support received by mothers who receive less than the full amount. CBO divided the affected 25 percent of mothers into the three groups as follows: 11 percent who move from receiving no child support to receiving some; 7 percent who move from receiving partial payments to receiving the full amount due; and 7 percent who continue to receive a partial but higher payment.

The effects of immediate wage withholding that CBO used in its projections are an 8 percentage point increase in the probability of receiving any child support, a 5 percentage point increase in the probability of receiving the full amount of child support due, and a 10 percent increase in the amount of child support received if the amount is less than the full amount due. The **first** two findings were taken from the Daniel Meyer and Judi **Bartfeld** study (see Chapter 3).¹² None of the studies that CBO reviewed presented any **findings** for the third child support outcome. CBO assumed a 10 percent effect, based roughly on the estimated effects of immediate

11. The estimate was derived as $.45 \times (1 - .2) \times .67 = .25$.

12. **The** finding of Daniel Meyer and Judi Bartfeld that the probability of receiving the full amount due would increase by 4 percentage points was increased to 5 percentage points because CBO was raising the probability for a different-and smaller-group of mothers.

wage withholding on child support compliance rates reported in several studies (see Appendix C).¹³

13. The compliance rate is the ratio of child support paid to child support due. Because wage withholding should not affect the amount due, the percentage change in the numerator-child support paid-equals the percentage change in the compliance rate.

APPENDIX C

STUDIES OF THE EFFECTS OF IMMEDIATE

WAGE WITHHOLDING

A number of studies have focused on the ways in which immediate wage withholding **affects** child support collections. Although the Congressional Budget Office (CBO) used findings from one of the studies, as reported earlier, findings from the other studies are presented for comparative purposes. The study that CBO employed--the most recent one using data from Wisconsin--measured the dependent variables in the most useful way for purposes of this study, and it was thought to be the most reliable.

These studies measured the effects of immediate wage withholding in two ways (see Appendix Table C-1). Where information on the use of immediate withholding was available for individual child support cases, its effects could be measured directly. Where such information was not available, cases were assumed to have, or not have, immediate withholding depending on whether the people involved lived in counties or states where immediate withholding may or may not have been carried out. The first approach--at least if the Wisconsin data are used--is preferable. Studies based on county or state use should, all else being equal, underestimate the effects of immediate withholding because many cases in the counties or states that enforce immediate withholding will not have withholding orders. Other counties or states will use immediate withholding in some cases.

CBO used the Wisconsin study by Daniel Meyer and Judi **Bartfeld** to measure the effects of immediate withholding; it was discussed earlier. Its **findings** showed a decline over time in the effect of having an immediate withholding order in place at the time of the award. CBO used the results for the third year after the award was issued.

Two other studies, by Marieka Klawitter and Irwin Garfinkel, also use data from Wisconsin. The most recent of their studies found that immediate withholding had little effect on child support payments after correcting for the increased likelihood that cases assigned immediate income withholding involved noncustodial parents with more stable or higher-paying jobs, and thus higher child support payments than other noncustodial parents.¹ Before that correction, the study found that child support payments increased by 12 percent for **non-AFDC** families and by 35 percent for AFDC families as a result of immediate income withholding. An

1. By contrast, Daniel Meyer and Judi Bartfeld found the opposite when testing for the same bias, namely that the effects of immediate- withholding were higher **after** adjustment, implying that the immediate withholding cases might be the "worst," rather than the "best," cases.

TABLE C- 1. ESTIMATES OF THE EFFECTS OF IMMEDIATE WAGE WITHHOLDING ON CHILD SUPPORT

Study (Area Examined)	Dependent Variable				
	Compliance Rates ^a	Child Support Payments	Probability of Receiving a Child Support Payment	Probability of Receiving Full Payment	Months Paid/ Months Due
Studies That Identify Withholding for Individual Child Support Cases					
Meyer & Bartfeld (Wisconsin) ^b	Year 1: 11 pts. (20 percent) Year 2: 6 pts. (11 percent) Year 3: 5 pts. (9 percent)	n.a.	Year 1: 12 pts. (15 percent) Year 2: 8 pts. (11 percent) Year 3: 8 pts. (ii percent)	Year 1: 4 pts. (18 percent) Year 2: 4 pts. (14 percent) Year 3: 4 pts. (14 percent*)	Year 1: 14 pts. (26 percent) Year 2: 8 pts. (15 percent) Year 3: 6 pts. (ii percent)
Kiawitter & Garfinkel (Wisconsin)	n.a.	AFDC: 35 percent ^c Non-AFDC: 12 percent ^c	n.a.	n.a.	n.a.
Garfinkel & Kiawitter (Wisconsin)	28 percent	n.a.	n.a.	n.a.	30 percent
Studies That Identify Withholding by County or State					
Garfinkel & Kiawitter (Wisconsin) ^d	11 percent*	n.a.	n.a.	n.a.	14 percent
Garfinkel & Robins ^e (United States)	5 pts. (16 percent)	24 percent	n.a.	n.a.	n.a.
Gordon (Four States)	5 pts. (8 percent*)	n.a.	n.a.	n.a.	4 pts. (8 percent*)

SOURCE: Congressional Budget Office.

NOTES: Pts. = percentage points; n.a. = not applicable.

All variables are statistically significant at or above a 5 percent level unless designated with an asterisk.

Effects are shown in terms of both percentage points and percentage changes, when available.

(continued)

TABLE C-1. CONTINUED

- a. The compliance rate is the ratio of child support paid to child support due.
- b. The authors **measured the effects of having an immediate** withholding order in place at **the** time of the first award on the various dependent variables **in the first, second, and third years after the award.**
- c. *Although* **these coefficients are statistically significant,** after adjusting for **the** possibility that cases with immediate withholding are those with higher, more **stable** incomes, the **coefficients decline and** are no longer significant.
- d. **This is the same study as above but the dependent** variables are measured differently--namely, by whether **the** family resided in a county **with** immediate wage withholding or resided in another county.
- e. Results are based on the March-April Child Support Supplements of the Current Population Surveys, 1979-1988, using a pooled cross-section sample. In this sample, only around five states had immediate wage withholding and only for one or two of the years. Those effects were based on averaging coefficients **from** four alternative regressions and calculating percentage changes based on sample means.

Citations:

Daniel R. Meyer and Judi Bartfeld, "The Effects of the Immediate Withholding of Child Support on Collections Over Time" (Institute for Research on Poverty, Final Report for Wisconsin Department of Health and Social Services, 1992).

Marieka M. Klawitter and Irwin **Garfinkel**, "Child Support, Routine Income Withholding, and Postdivorce Income for Divorced Mothers and Their Children" (Institute for Research on Poverty, Discussion Paper No. 938-9 1, Madison, Wisconsin, 199 1).

Irwin **Garfinkel** and Marieka M. Klawitter, "The Effect of Routine Income Withholding of Child Support Collections," *Journal of Policy Analysis and Management*, vol. 9, no. 2 (1990), pp. 155-177.

Irwin Gafinkel and Philip K. Robins, "The Relationship between Child Support Enforcement Tools and Child Support Outcomes" (Institute for Research on Poverty, Discussion Paper No. 1004-93, Madison, Wisconsin, 1993).

Anne R Gordon, "Income Withholding, Medical Support, and Services to Non-AFDC Cases After the Child Support Enforcement Amendments of 1984" (**Mathematica** Policy Research, Inc., Princeton, New Jersey, and Policy Studies Inc., Denver, Colorado, 1991).

earlier study by the same authors found that immediate income withholding had a statistically significant **effect** on two child support variables--compliance rates and the ratio of months paid to months due--increasing them by 28 percent and 30 percent, respectively.

APPENDIXD

DATA SUPPORTING THE ANALYSIS

Table D-1 shows the data underlying Figures 1 and 4 through 8. They are from the matched March Current Population Survey-April Child Support Supplement of the Bureau of the Census for the various years.

TABLE D- 1. CHILD SUPPORT OUTCOMES, BY MARITAL STATUS, 1981-1989

Year	All	Divorced	Separated	Married	Never Married
Number of Eligible Women^a (In thousands)					
1982	8,387	2,861	1,552	2,201	1,708
1984	8,690	3,204	1,451	2,129	1,854
1986	8,808	3,045	1,363	2,322	2,009
1988	9,415	2,958	1,381	2,386	2,625
1990	9,955	3,056	1,352	2,531	2,950
Women Who Have Awards as a Percentage of Those Who Are Eligible^b					
1981	48.2	71.1	33.4	59.0	10.4
1983	46.0	65.3	29.9	57.6	11.8
1985	49.7	71.6	33.2	61.0	15.1
1987	51.3	70.6	45.5	69.4	16.4
1989	49.8	69.5	39.0	66.6	19.8
Average Award Amounts^c (In 1993 dollars)					
1981	3,938	3,869	5,003	3,923	1,724
1983	3,659	3,835	4,167	3,518	1,794
1985	3,352	3,757	3,543	2,974	1,902
1987	3,606	3,854	3,571	3,520	2,571
1989	3,524	3,914	3,442	3,455	2,357
Women Who Receive Child Support as a Percentage of Those Who Have Awards					
1981	71.8	73.8	79.9	66.7	62.9
1983	76.0	76.4	87.1	71.9	75.8
1985	74.0	75.1	84.3	68.5	76.2
1987	76.1	78.0	74.0	72.9	83.3
1989	75.2	77.0	79.7	72.1	73.2
Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment					
1981	65.1	64.9	64.5	63.6	79.5
1983	66.4	68.2	69.3	63.0	65.1
1985	65.1	67.8	63.4	62.4	61.9
1987	67.3	69.8	65.2	69.8	56.4
1989	68.3	66.0	70.5	71.4	66.5
Average Child Support Received^c (In 1993 dollars)					
1981	3,375	3,558	3,804	3,059	1,627
1983	3,398	3,615	3,893	3,141	1,643
1985	2,977	3,411	2,798	2,642	1,542
1987	3,168	3,534	3,118	3,055	2,029
1989	3,119	3,396	3,036	3,164	2,019

(continued)

TABLE D-1. CONTINUED

SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

- a. Eligible women are those with children under 21 years old who are eligible for child support payments from a noncustodial father. Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.
 - b. Mothers who have awards of child support are only those eligible to receive payments.
 - c. Data for 1987 and 1989 are before adjustment of payment amounts by the Bureau of the Census. The 1987 and 1989 amounts may not be consistent with amounts in the preceding years.
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